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Israel Bars PLO Presence in Lebanon

Rejects Arafat's Reported Plan for Token Guerrilla Force in North

2 Arabs Slain In West Bank Disturbances

Compiled by Our Staff From Dispatches
JERUSALEM — Two Arabs died and 12 were injured in demonstrations Sunday in the Israeli-occupied West Bank protesting the Israeli invasion of Lebanon to crush the Palestine Liberation Organization, military sources said. A general strike was only limited success.

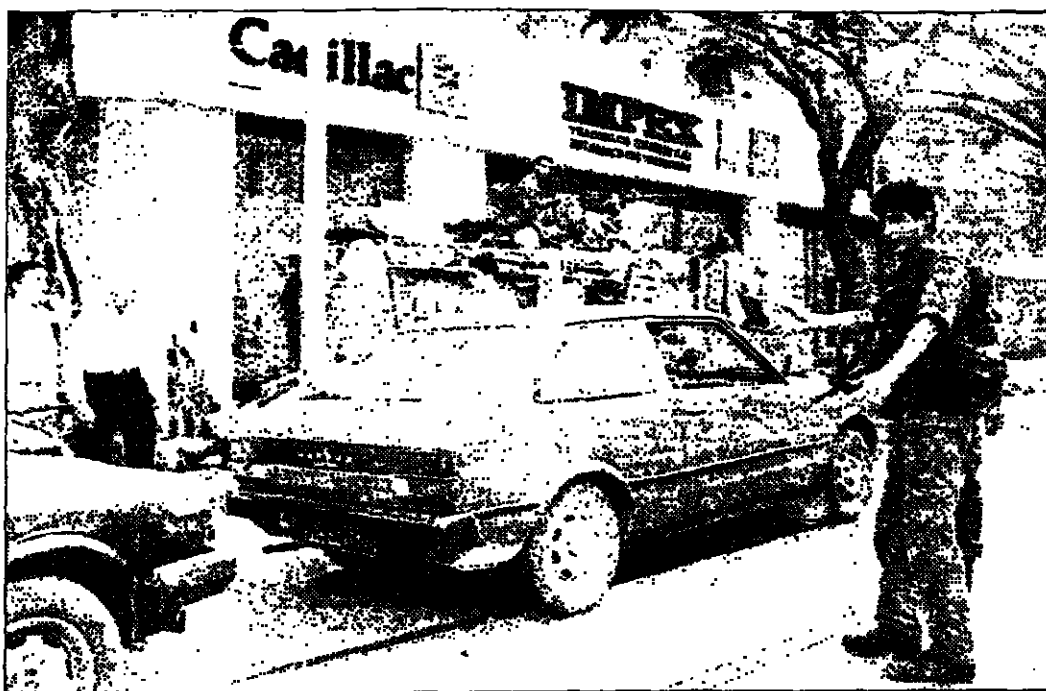
Five Arabs were wounded in Nablus by Israeli soldiers who opened fire after they were attacked by a group of demonstrators, the sources said. Two of the wounded men died later in a hospital. In Ramallah, an Arab was wounded when Israeli soldiers opened fire on protesters, Israeli radio said.

In the West Bank town of Beit Shira, six Palestinians were injured by bullets and stones when Arab demonstrators of the Israeli-backed village League and Palestinians clashed over a PLO call for Palestinians not to go to work in Israel, Israeli radio said.

Also in the West Bank, the body of an American Jewish settler was found Friday near Bethlehem. The daily newspaper Ma'ariv said police were holding two young Palestinian suspects of stabbing to death David Rosenfeld, 27, in revenge for the invasion.

Many Arab workers who commute daily jobs in Israel remained at home Sunday to express solidarity with the PLO in Lebanon, but there was only a patchy response to a call by West Bank Palestinian leaders to begin a two-day general strike over the invasion. Israeli radio reported a partial strike in Nablus.

Sunday's strikes and demonstrations were the first serious Palestinian protests in the occupied territories since the PLO's (Continued on Page 2, Col. 5)



An Israeli soldier in East Beirut stops cars trying to cross into West Beirut. The Israeli Army and the Christian militia have sealed off all crossing points between the two sectors of the city.

At an Outpost in Beirut's Suburbs, Palestinians Ready for a Last Stand

By Thomas L. Friedman
New York Times Service

EL-LAILAKE, Lebanon — It takes only one trip to the Palestinian guerrillas' forward position on the southern outskirts of Beirut to understand why the Israeli Army is reluctant to invade the Lebanese capital.

El-Lailake is the southernmost Palestinian-controlled suburb of West Beirut. It is a honeycomb of narrow twisting streets in which every building seems to house five or six heavily armed Palestinian

fighters. Anti-aircraft guns are hidden in alleys and the streets are pocked with freshly drilled holes for the insertion of land mines.

"It is full," said Rifaa Shihab, 23, a Palestinian commander, "do you understand that? It's full of fighters. Maybe the Israelis will come and maybe they will win here, but I promise you it will be a big cemetery for them."

The guerrillas move about El-Lailake, which is just south of the main Palestinian camp of Borge Barjani, seemingly oblivious to the occasional burst of Israeli sniper fire. Some in civilian clothes, others in green army fatigues, the guerrillas are armed primarily with rockets and PLO-7s, Soviet-made rocket-propelled grenades that are particularly effective against tanks at close range.

"All We Know" — "If the Israelis come in here," said a guerrilla who identified himself as Ghassan Haidar, 21, "they will not be able to use their air force. They will have to come get us with tanks and men. They do not like street fighting, but street fighting is all we know."

The outpost at El-Lailake affords a perfect view of the battlefront. To the west is Beirut International Airport, with the charred carcasses of two Middle East Airlines planes still on the tarmac. Israeli armored units are dug in just south of the runway.

To the south, across a wide tomato patch still being worked by a small intrepid group of Lebanese farmers, is the hillside village of Choufateh, where Israeli troops look down on the guerrillas from a large factory they have taken over. The guerrillas say the tomato

patch is filled with still more fighters and heavier weapons. To the east are Hadath and Baabda, where Israeli tanks and armored personnel carriers are tucked throughout the terraced hills, with a panoramic overview of all West Beirut.

The guerrillas at the El-Lailake outpost do not seem to have the least conception of the political negotiations swirling around them — nor do they seem to care. If Yasser Arafat, the chairman of the PLO, tells them to go, they will go, and if he tells them to stay, they will stay.

They still do not believe they have lost. "Look," said an unshaven guerrilla named Wadia, a Lebanese Communist fighting with the Palestinians. "We don't want to destroy Beirut, but we are not going to surrender our arms to the Israelis and go out carrying white flags. Never."

Sitting around mattresses in the building that has been their home since June 6, the day the Israeli invasion began, the guerrillas talked of friends who died fighting in Sidon, Tyre and Damour and inquired about what the Israeli soldiers have said of their fighting ability and about casualties.

The only time there was bitterness was when they were discussing the failure of the other Arab states to help them. "Curse their mothers," said Samih, 23, a European-trained engineer. "You see where the Israelis are. Well, behind the Israelis is King Fahd and Hafez al-Assad and King Hussein," he said, referring to the leaders of Saudi Arabia, Syria and Jordan. "They are all in this together and every Palestinian, every child, will know what to do with them."

Habib Given More Time For Talks

By Edward Cody
Washington Post Service

JERUSALEM — The Israeli government, responding Sunday to new proposals relayed by the United States, rejected suggestions that the Palestine Liberation Organization retain a token military or political presence in Lebanon.

The government of Israel rejects without any qualification whatsoever every proposal concerning any presence — political,

organizational or militarily symbolic — of terrorists in Lebanon, the Cabinet said after a meeting on the Beirut crisis. "All of them without any exception should leave Lebanon."

The government's stand seemed to constitute a straightforward "no" to a document reportedly signed Saturday in Beirut by PLO leader Yasser Arafat as part of negotiations with Lebanese political figures and, through them, Philip C. Habib, the U.S. special Middle East envoy. The U.S. ambassador to Israel, Samuel W. Lewis, was reported to have informed Prime Minister Menachem Begin of the progress in the talks, including Mr. Arafat's latest position, during a meeting in Jerusalem Saturday night.

Although the document signed by Mr. Arafat accepted in principle Israel's insistence on a PLO evacuation of Lebanon, the Lebanese state radio said, it also left open the question of PLO demands for token guerrilla forces to remain in the Bekaa Valley and northern Lebanon.

More Time for Talks

By rejecting this outright, Mr. Begin's government heightened the chances of an Israeli assault on West Beirut. At the same time, Israeli sources said, the Cabinet decided to give more time — how much was unclear — to U.S. negotiating efforts.

Despite the hard line on a PLO presence in Lebanon, observers detected a note of flexibility on another key Palestinian demand: Mr. Arafat's insistence that Israeli forces ring Beirut begin a limited withdrawal linked to the withdrawal of PLO guerrillas.

Previously, Israeli officials have insisted that discussions on Israeli withdrawal can begin only after all guerrillas have left. In Sunday's statement, however, the Cabinet said: "No change in the existing lines in Lebanon would be carried out without the consent of Israel."

With Israeli forces commanding the situation around Beirut, it seemed self-evident that they would change their lines only with the consent of the Israeli government, leading observers to conclude that the statement had (Continued on Page 2, Col. 4)

Columbia's Final Test Flight Ends With a Perfect Landing

By Thomas O'Toole
Washington Post Service

EDWARDS AIR FORCE BASE, Calif. — Writing a successful end to the last of four test flights, the space shuttle Columbia landed Sunday at Edwards Air Force Base in a perfect landing Sunday.

Mr. Reagan flew the space shuttle Columbia to a perfect landing Sunday at Edwards Air Force Base in the Mojave Desert.

Returning to Earth after seven days in space, Capt. Mattingly and Mr. Hartsfield landed the shuttle before a crowd of more than half a million people. President Reagan, who attended the landing, called the astronauts "pioneers" in the American tradition of exploration.

"They and other astronauts have shown the world that Americans still have the know-how and American still have the true grit that amazed a savage wilderness," Mr. Reagan said in a speech not far from Runway 22, where the 100-ton spacecraft set.

While Mr. Reagan reaffirmed the United States' permanent presence in space, he fell short of committing the country to building a permanent, orbiting space station such as the National Aeronautics and Space Administration would like to start work on next year.

Such a station could cost \$6 billion. Mr. Reagan said the United States will develop "an anti-satellite capability, with operational deployment as a goal," but he nevertheless insisted that the United States was committed to the peaceful exploitation of space.

The shuttle touched down 3,000 feet (910 meters) beyond the threshold of the concrete runway, then used another 8,000 feet to roll to a stop. It halted in the middle of a 300-foot-wide target strip. Previous landings had been on the desert floor.

"Welcome back to Earth," astronaut Brewster Shaw called to the crew from Mission Control at the Johnson Space Center in Houston. The Columbia had completed 113 trouble-free orbits.

President Reagan and his wife, Nancy, welcomed the astronauts at the foot of a ramp put up against the shuttle's hatch. The president and the astronauts exchanged salutes, then Mrs. Reagan held the two space flyers on the cheek.

After Capt. Mattingly gave the Reagan a quick tour of the spacecraft, the president and his wife returned to the stand where Mr. Reagan gave his address.

He said the shuttle's fourth landing was "the historical equivalent to the driving of the golden spike which completed the first transcontinental railroad. It marks our entrance into a new era."

"This has been the cleanest flight we've had to date," Flight Director Harold Draughton said at the Johnson Space Center.

The only thing believed to have gone wrong during the flight was in the workings of an Air Force instrument package in Columbia's cargo bay. Capt. Mattingly hinted that there had been trouble with the instruments.

The Columbia is to begin an operational space freight program in November.

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By John Dinges
Washington Post Service

SAN SALVADOR — Members of the U.S. military mission helping El Salvador fight its war against leftist rebels now advocate increasing the number of U.S. military advisers here above the current ceiling of 55 men, an informed Western source has said.

The military source Friday praised the fighting performance of three U.S.-trained battalions in two recent campaigns. The source, however, criticized regular army units, saying that their tactics in a battle in early June allowed guerrillas to rout two army companies with about 300 men.

Asked for comment, a U.S. diplomat here said Saturday that the embassy was "not giving any serious consideration to raising the number of trainers." Approximately 30 U.S. advisers are in El Salvador now, down from a high of 55 in 1981, and the average number

this year has been about 40, embassy officials said.

The increase in the number of advisers is being suggested to allow teams of advisers to be based at headquarters of Salvadoran Army brigades around the country, the military source said. Most of the advisers now are based in San Salvador and go out by day to train Salvadoran troops in nearby camps.

The source said the Salvadoran high command had supported the idea of introducing U.S. teams at the brigade level.

Fighting Is Heavy

The military source said he saw no quick end to the war, with fighting here in recent weeks at its heaviest level since the March 28 elections.

The sources described a plan for winning the war using U.S.-favored tactics that would be monitored by American advisers.

The source said that a U.S. aid

cutoff — an idea that has been debated in some congressional committees — could result in a rightist takeover of the present high command, which is pro-United States. The source estimated that the Salvadoran forces could hold out for only about a year without U.S. backing.

Battalion's Test

He said the U.S. military team was attempting to teach more effective counterinsurgency tactics in regular armed forces units, including the use of "saturation patrols" by small units operating at night and during the day to "deny the night to the guerrillas."

The military source did not say how many additional training personnel would be needed. The U.S. diplomat said the idea of such military teams was "worth exploring" but that "we haven't really studied that at all."

In the first test of a Salvadoran battalion that had been trained for four months at Fort Bragg, N.C., and of two other American-trained units, the Salvadoran Army launched an offensive at the end of May involving about 4,000 troops in the northwestern guerrilla stronghold of Chalatenango.

The army said it killed 135 "subversives" before calling off the sweep after 10 days.

On May 5, however, the Farabundo Marti Liberation Front forces overran the towns of Perquin and San Fernando in northern Morazan province.

The army's first attempt to retake the town was a failure, the military source said.

Two army companies were sent north to Perquin on June 9 and ran into an ambush four miles (6.4 kilometers) outside of town. "Coordination was abysmal," the source said. The Salvadorans were battered after "they walked out from under their artillery support," he said.

A few days after the ambush, the army called in three U.S.-trained battalions. Atlacatl, which was trained in 1981; Belloso, trained at Fort Bragg; and Atonal, trained this year in El Salvador. They performed well, the source said, especially the Belloso.

But the key to the government counteroffensive, the source said, was the arrival in El Salvador on June 15 of six U.S. A-37 fighter-bombers.

Nevertheless, the source said, "initially at least" the fighting was a psychological victory for the rebels.

In San Salvador, meanwhile, Monsignor Arturo Rivera y Damas, the acting archbishop of the city, said during Mass Sunday that Pope John Paul II will visit Central America, including El Salvador, next year, Reuters reported.

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Arab League Head Warns U.S. on Relations if Israel Is Not Curbed

By Joseph Fitchett

International Herald Tribune

PARIS — U.S. interests in the Arab countries will suffer grave damage if the Reagan administration allows Israel to destroy West Beirut and wipe out the Palestine Liberation Organization, the head of the Arab League, Chadi Klibi, warned Sunday.

It was the first time during the crisis in Lebanon that a prominent Arab official, speaking for moderate Arab governments, has publicly threatened the West with anti-American actions in reprisal for Israel's military actions.

Mr. Klibi, complaining that the Reagan administration has allowed Israel to believe it has a blank check in Lebanon, said the United States should intervene to save Beirut, leave the PLO politically intact as a negotiating body and, at a subsequent stage, help create a Palestinian state.

PLO chairman Yasser Arafat, he said, has emerged "a stronger and a wiser leader" from the war in Lebanon, and Western governments should use the crisis to

produce a diplomatic opening for Mr. Arafat.

"The situation can become a major crisis between the Arab countries and the West, especially the United States," Mr. Klibi said in an interview. He added: "It's America that has the power to act, and we hope it recognizes its historical responsibilities and the gravity of our situation; failure will leave indelible consequences on our relations."

Mr. Klibi's views apparently reflected the mood of moderate Arab leaders about Arab-U.S. relations. Saturday, he was involved in crisis talks on Lebanon in Saudi Arabia. They were attended by Saudi leaders and representatives of Kuwait, Algeria, Syria, Lebanon and the PLO. Denouncing what he called U.S. inaction in the crisis, Mr. Klibi criticized the performance of the special U.S. envoy, Philip Habib, whom he described as "a messenger for Israel, not a mediator; he has never pressed Israel to accept any compromise."

Mr. Klibi, a Tunisian, is secretary-general of the Arab League, which groups all the Arab governments except Egypt.

The Arab governments, at their meeting in Saudi Arabia, decided to send delegations to the United States, the Soviet Union, Britain, France and China — the permanent members of the United Nations Security Council.

The most important mission will visit the United States; it will be headed by Saudi Arabia's foreign minister, Saud al-Faisal. Mr. Klibi said the Saudi official is seeking an urgent appointment with President Reagan, perhaps as soon as Tuesday.

The results of the talks in Washington and the other capitals, Mr. Klibi said, could strongly influence Arab policies toward the United States, Europe and the Soviet Union.

He declined to cite specific threats. "I refuse to visualize a U.S. refusal and the agonizing reappraisal that it could cause," he said.

But he acknowledged that in Saudi Arabia, Arab leaders discussed a range of possible retaliation involving oil, economic relations, military cooperation and diplomatic relations.

Arguing that Israel's recent military successes have created

new opportunities for Soviet policy in the Middle East, Mr. Klibi said that conservative Arab leaders at the meeting in Saudi Arabia discussed the possibility of wider diplomatic recognition for the Soviet Union. None of the Gulf states, except Kuwait, has diplomatic relations with the Soviet Union. Kuwait, with the PLO will head the Arab delegation to Moscow.

Although Mr. Klibi's statements did not commit any Arab government to specific actions, his warnings carry weight because he has a reputation for being pro-Western, a fact he emphasized during the interview.

Asked if he thought the United States colluded with Israel in the Lebanon operation, Mr. Klibi said: "America has encouraged Israel by not reacting, whether out of negligence, or weakness, or design. But it is worse than a plot, it is a stupid crime."

By speaking out, Mr. Klibi apparently signaled the fast-approaching end of a period during which Arab governments, while embarrassed by developments in Lebanon, felt that quiet diplomacy would be sufficient to

contain Israel within limits acceptable to Arab opinion.

"We have been betting all the capital of our good relations with the United States," Mr. Klibi said, adding that "the so-called 'silence of the Arabs' is the invention of Israeli propaganda, insinuating that Arab governments are happy about what is happening to Lebanon and the PLO."

He did not explain why Arab governments appear to be more ready to resort to public diplomacy, but reports from Arab capitals in recent days have spoken of rising public unhappiness as the Israeli operations have increased in scale while PLO fighters have continued to resist.

Mr. Klibi said that the Palestinians have won a moral victory in Lebanon by performing credibly in the eyes of many Arabs, during what he called "the first Israeli-Palestinian war."

He said the fighting has confirmed Mr. Arafat as the Palestinians' acknowledged leader because he led the toughest resistance mounted by the PLO in any war. At the same time, Mr. Klibi said, the Palestinians' loss

es have discredited Mr. Arafat's more radical rivals.

"Arafat has proved to be the man of compromise and the man of resistance, and he should be taken at his word when he says that the only problem is for Israel to recognize the Palestinians' right to a state," Mr. Klibi said.

The United States, he said, is Israel's best friend and therefore should tell the Israelis — whom he described as "drunk with victory" — that the time has come for a political compromise, offering what Mr. Klibi called the prospect of stability instead of recurrent crises.

Prime Minister Menachem Begin of Israel, he said, is refusing to entertain Mr. Arafat's assertions of Palestinian moderation "not because he lacks confidence in the Arabs but because he wants the land, the West Bank and the Gaza Strip, for Israel."

He also accused Israel of seeking to turn Lebanon into an Israeli satellite under the control of Israeli-backed Christian militias.

Israel and the main Christian

militia leader, Bashir Gemayel, have rejected a PLO plan, approved by the Arab League meeting in Saudi Arabia, for a substantial withdrawal of Palestinian guerrillas from Lebanon.

The Arab plan, Mr. Klibi said, calls for the PLO to retain about 300 troops in Lebanon as part of the Lebanese Army with weapons to be specified by the Lebanese command. In addition, the PLO also is seeking "an expanded political presence," but this does not necessarily imply an embassy with diplomatic immunity, he said.

Arab governments, he said, have no objections if Lebanon wanted the United States and France to contribute troops to an international peacekeeping force in the Beirut area — a suggestion reported Sunday from Lebanon.

Syria is ready to withdraw its forces from Lebanon if asked by the Lebanese government, he said, adding that there is an Arab consensus for such a move.

To allow these changes, he said, the Arab plan calls for a token Israeli military pullback of a few miles so that Lebanese and Palestinian leaders are no longer



Chadi Klibi

acting under direct military coercion.

At the Saudi Arabian meeting, he said, Arab representatives made it clear that they would guarantee implementation of their plan and would also contribute extensive aid for Lebanon's reconstruction after a settlement.

Nkomo Fails to Show Up at Rally; Mugabe Links Him With Shooting

HARARE, Zimbabwe — Zimbabwe's opposition leader, Joshua Nkomo, suspected of complicity in a gun attack on the home of Prime Minister Robert Mugabe, failed to appear Sunday for a long-awaited political rally in the Zimbabwe capital.

Party officials of the Zimbabwe African People's Union told a crowd of about 3,000 — unusually small for the veteran politician — that Mr. Nkomo had a severe case

of flu and was confined to his Bulawayo home on doctor's orders.

But when telephoned at his home immediately afterward, an aide said Mr. Nkomo was at a meeting in Bulawayo and would not be back until later Sunday. Asked if Mr. Nkomo was well, the aide, who identified himself as Douglas Ngunyema, said: "He's fine. Quite well. Definitely."

He said he did not know why Mr. Nkomo had not turned up for the rally, scheduled last month and billed as an appeal for peace and reconciliation in Zimbabwe.

Mr. Mugabe on Saturday publicly linked Mr. Nkomo with the attack on guards at the gate of his official residence in Harare on June 24. He said ZAPU had organized and carried out the raid.

"Whether Nkomo had a direct hand in it will be established by the police," he said at a news conference. "But ZAPU was responsible; therefore the inference can be drawn that Nkomo was responsible."

Mr. Nkomo, 65, was already under threat of arrest following the discovery of arms caches on properties connected with ZAPU. He was fired from Mr. Mugabe's coalition Cabinet in February on allegations that he had plotted a coup.

Edgar Tekere, a prominent radi-

cal figure in Mr. Mugabe's party, the Zimbabwe African National Union, accused Mr. Nkomo in Parliament last week of hiring gunmen to attack the prime minister, and called for his detention and trial. Mr. Tekere, a former minister for manpower, was fired from the Cabinet after he was acquitted on a technicality in the murder in 1980 of a white farmer.

In his speech prepared for Sunday's meeting and read on his behalf by the ZAPU secretary-general, Joseph Msika, Mr. Nkomo denied that he or his party had plotted against the government.

Mr. Nkomo accused Mr. Tekere of taking advantage of parliamentary privilege to make malicious statements and said: "It is most unfortunate that persons entrusted with the leadership of our people should fail to see or even perceive the consequences of such irresponsible utterance of unfounded charges."

Sources close to Mr. Mugabe said they believed he regarded the incident at his residence as a ZAPU provocation rather than a serious attempt on his life. But they said it appeared Mr. Mugabe was convinced that Mr. Nkomo had a hand in it, despite his denials.



A crowd of about 50,000 jammed the square in front of the Tel Aviv City Hall calling for the Israeli Army's withdrawal from Lebanon and Prime Minister Menachem Begin's resignation.

Israel Rejects Any PLO Presence in Lebanon

(Continued from Page 1)

opened the way for mutual withdrawal from the Lebanese capital.

According to reports from Beirut, Mr. Begin's discussions include the possible stationing of a multinational force along with the

Lebanese Army in West Beirut to enforce order as PLO guerrillas leave and perhaps separate Israeli and Palestinian forces.

High Israeli officials cited by the government-run radio Sunday emphasized that the United States, in keeping Mr. Begin abreast of the Beirut negotiations, was not seeking PLO military presence in Lebanon, but they said nothing about a political presence.

Earlier reports said Secretary of State Alexander M. Haig Jr. suggested in a message to Mr. Begin

last week that the PLO could retain an undefined political presence in Lebanon, a point that differed in nuance at least from the Israelis' former position. The former position was that all PLO members must leave without exception, but that the Lebanese government eventually could allow a PLO office.

2 Arabs Slain In West Bank

(Continued from Page 1)

rioters since the invasion began. In the largest expression yet of Israeli opposition to the invasion, about 50,000 protesters held a rally Saturday in the square in front of Tel Aviv's City Hall.

The sea of placards reflected the theme of speeches: opposition to an attack on West Beirut, demands for the resignation of Prime Minister Menachem Begin and Defense Minister Ariel Sharon, and an immediate pullout from Lebanon. Despite the protest, two newspaper polls published over the weekend indicated that 93.5 percent and 85 percent of the respondents expressed support for the invasion.

For nearly five hours, he reported, the Sir Galahad and its sister ship the Sir Tristram sat waiting, their passengers and crew watching films, with a known Argentine observation post nearby.

He said when Argentine jets attacked "it was like a turkey shoot" and asked, "Why were men watching video films when they should have been taken ashore?"

British Special Forces hidden on the Argentine mainland gave Britain's Falklands task force two-minute warnings of air attacks, Mr. Nicholson reported.

He said that men of the elite Special Air Service on the aircraft carrier Hermes "were in daily or hourly contact with the men on the mainland."

Mr. Parry reported that correspondents with the task force were "very happy" to leave out of their dispatches details about unexploded Argentine bombs and their faulty fusing.

But he said that "to our horror" details of the failure of the bombs to explode received a lot of publicity in London and that "the day after, the Argentines got their fusing right."

Qadhafi Urges Suicide

TRIPOLI, Libya (AP) — Col. Moamer Qadhafi said Sunday that Palestinian guerrillas encircled by Israelis in Beirut should "commit suicide rather than accept shame," the official Libyan news agency JANA reported Sunday.

The news agency said Col. Qadhafi also announced that Libya was putting "all its capabilities under Syria's disposal." It did not explain what that would entail, but it said that all PLO members must leave without exception, but that the Lebanese government eventually could allow a PLO office.

British Errors Are Reported

(Continued from Page 1)

without sufficient protection because no Rapier anti-aircraft missiles had been put ashore, Mr. McGowan said.

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Nicolaides Vows Readiness

COMODORO RIVADAVIA, Argentina (UPI) — Argentina may have been "surprised by the disproportionate magnitude" of Britain's reaction to the Falklands invasion, according to Lt. Gen. Cristino Nicolaides, the new commander of the army.

In his first reference to the war since taking over as army chief, Gen. Nicolaides vowed Saturday to a group of war veterans and relatives of Argentine soldiers that he would never let the country be surprised again.

He said it will be his job to "modernize" the army "so it is ready when the nation needs it."

Italy Presses Vatican On Role in Calvi Loans

Compiled by Our Staff From Dispatches

ROME — Italy's treasury minister, Beniamino Andreatta, has asked the Vatican's bank to accept responsibility for its dealings with Milan's Banco Ambrosiano, whose president, Roberto Calvi, a key figure in a 1981 banking scandal, was found dead two weeks ago.

According to newspaper reports, Mr. Andreatta in his speech Friday to the Chamber of Deputies was referring to loans made by Latin American subsidiaries of the Banco Ambrosiano on the strength of letters from the Vatican's bank.

Commissioners appointed to take charge of Banco Ambrosiano, Italy's largest private bank, met Friday with the directors of the Vatican's bank, known as the Institute for Religious Works, which is the fourth largest shareholder with about 1.5 percent of the Milan bank.

Quoting well-informed sources, the Turin daily La Stampa and the financial daily Il Globo described the meeting with Archbishop Paul Marcinkus, head of the Vatican's bank, as negative and difficult.

The crisis is over the Vatican's refusal to take responsibility for about \$1.2 billion lent by Banco Ambrosiano's Latin American

subsidiaries to Panamanian finance companies on the strength of letters of patronage issued by the Institute for Religious Works, according to earlier Milan press reports.

It was reported Sunday in La Stampa and Il Globo that Archbishop Marcinkus confirmed he signed an agreement with Mr. Calvi assuming responsibility on the part of the Institute for Religious Works for the loans. However, he reportedly then produced a letter, signed by Mr. Calvi, releasing the Vatican's bank from its obligations. The newspapers reported, Archbishop Marcinkus has submitted his resignation from the board of the Nassau-registered Banco Ambrosiano Overseas Ltd., a move intended to separate his bank from the inquiry, La Stampa said.

In a separate development, Wilfredo Vitalone, a Rome lawyer who acted for Mr. Calvi, was freed provisionally after being arrested for misrepresentation over the judicial inquiry into Mr. Calvi's activities.

Mr. Calvi, 61, disappeared from Italy in June and was found hanging under London's Blackfriars Bridge eight days later. British police consider the death a suicide.

WORLD BRIEFS

8 Miners Die in South African Riots

JOHANNESBURG — Eight black miners have been killed in rioting in gold mines over pay demands, and 22,000 white miners are to vote on a national strike over their own claims. About 7,000 black miners refused to work Friday.

Six of the eight blacks were killed Saturday when police were called to help control riots at West Driefontein gold mine near Carltonville and at Grootvlei near Springs. Three miners were shot and killed at each mine. Police said they found the bodies of two more miners at West Driefontein, one in a beer hall and the other in fields near the mine. A spokesman at West Driefontein said that several hundred men at the mine were being dismissed after refusing to work.

South Africa's 22,000 white miners, who have not staged a major work stoppage since 1922, vote this week on whether to strike after being offered a 9-percent pay rise.

Panchen Lama Makes a Visit to Tibet

PEKING — The Panchen Lama, Tibet's highest-ranking spiritual leader after the exiled Dalai Lama, has returned home for the first time in nearly 20 years, official press reports said Sunday.

He flew into Lhasa on Saturday to begin a two-month visit and was warmly received by local Chinese officials led by the Communist Party first secretary, Yin Fatang, the reports said.

The Chinese government had not allowed the Panchen Lama to visit Tibet since he criticized Communist policies in the Himalayan region in 1964. His return indicates official confidence in Peking that reforms introduced two years ago have begun to heal the rift between the Tibetans and their Chinese rulers.

British Fugitive Killed in Shoot-Out

MALTON, England — A 17-day manhunt through Yorkshire woods and scrublands ended Sunday on a tennis court 300 yards (about 270 meters) from a police station when Britain's most wanted fugitive was killed in a gunfight with police.

Barry Prudom, 37, a self-employed electrician accused of killing two policemen and another man, was killed after he refused to surrender and then fired on some 60 heavily armed policemen, said Kenneth Henshaw, the North Yorkshire police chief.

Mr. Henshaw said Mr. Prudom died with an automatic pistol in his right hand and also had a machete. "The man ... was called on to surrender to police," Mr. Henshaw said. "This he refused to do, and he fired shots at the police officers. The fire was returned and the man was later found to be fatally wounded." Police were still trying to establish a motive for the killings.

American, Russian Exchange Charges

MOSCOW — Soviet television gave the U.S. ambassador to the Soviet Union, Arthur A. Hartman, time to convey greetings to mark the U.S. Independence Day Sunday night, then followed his remarks with a commentary contrasting the words and deeds of the Reagan administration.

Mr. Hartman said the United States sought a frank and open dialogue with the Soviet Union and called on it to exercise restraint to help overcome deteriorating U.S.-Soviet relations and reduce the danger of nuclear war. He said the United States would like to improve its relations with the Soviet Union but added: "We must say frankly that this can not depend only on us."

His remarks were followed by a Soviet analyst's commentary. "Recently the Americans have been saying they won't use nuclear or non-nuclear weapons except defensively," said analyst Alex Bovin. "Nevertheless, they also claimed their intervention in Vietnam was defensive and are saying now the Israeli attack on Lebanon was defensive."

Mexicans Vote in National Elections

MEXICO CITY — Mexicans turned out in small but steady numbers Sunday to vote in national elections. The government presidential candidate, Miguel de la Madrid Hurtado, was virtually assured of winning.

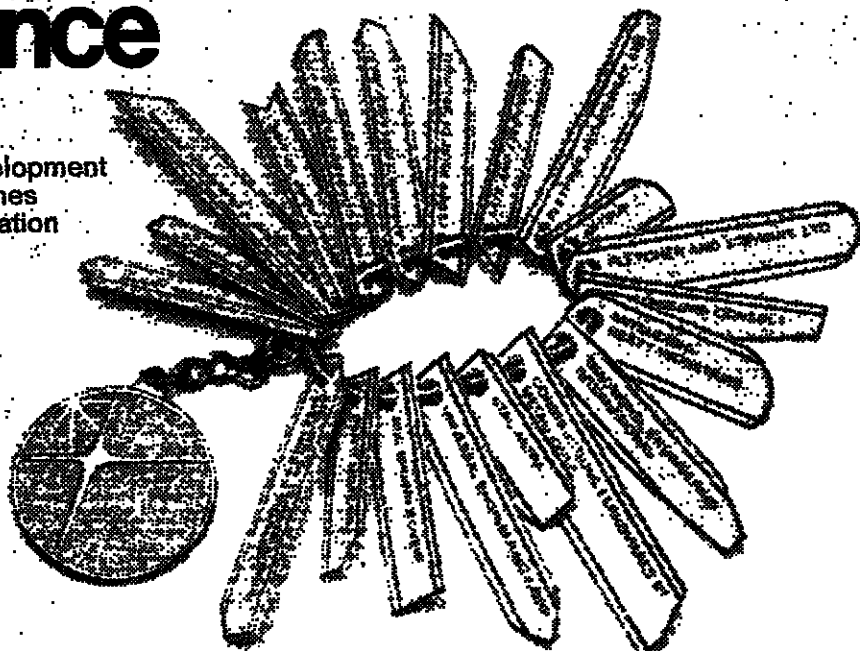
Spot checks of polling stations showed a constant trickle of people voting. One hundred thousand armed troops stood guard around the nation's 52,000 polling stations. Four hundred thousand police and security agents have been deployed nationwide since Saturday night. No incidents had been reported by early Sunday afternoon.

The new president would replace President José López Portillo for a single six-year term Dec. 1. Mexican law prohibits a second term. Mexicans also voted for a new Senate and House of Representatives. The record field of seven candidates was considered unlikely to threaten the dominance of the ruling Institutional Revolutionary Party.

Compiled From Agency Dispatches

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U.S. Supreme Court's Ideological Rift Widens

Justice O'Connor Makes Impact With Her Conservative Ideas

By Fred Barbash

Washington Post Service

WASHINGTON — The occasion was argument before the U.S. Supreme Court on a major death penalty case, Justice William H. Rehnquist, the arch-conservative, asked a lawyer for the state of Oklahoma whether it would be cheaper "from the taxpayer's point of view" to execute the defendant than to confine him for years of psychiatric treatment.

From the other end of the bench came the familiar growl of Justice Thurgood Marshall, the arch-liberal: "Well," Justice Marshall said sarcastically, "it would be cheaper just to shoot him when you arrested him, wouldn't it?"

Justices Marshall and Rehnquist are in hostile camps. During the term that ended Friday, the camps were perhaps as hostile as they have ever been: Justices Marshall, William J. Brennan Jr. and Harry A. Blackmun on one side and on the other, Chief Justice Warren E. Burger and Justices Rehnquist and Sandra Day O'Connor.

Justices Byron R. White, John Paul Stevens and Lewis F. Powell Jr. alternated between the poles, casting the deciding votes. Sometimes, two courts seemed to be at work.

One court broke new ground in federal-state relations by im-

posing important restrictions on federal court intervention in state criminal proceedings and property tax controversies.

Another court seemed to revive the federal interventionism of the 1960s by telling legislatures that they cannot deny a free public education to all children in the United States illegally, and by telling school boards that they risk being hauled into federal court for censoring books.

One side won major victories by ruling that the states must

have stronger evidence of abuse of neglect before removing children from parents.

The other side succeeded in giving police nearly blanket authority to search private belongings in automobiles, in awarding absolute immunity from civil damages to the president and in telling school systems they do not have to go overboard in providing special schooling for the handicapped.

On the bench are a former majority leader of the Arizona Senate (Justice O'Connor); a former president of the Richmond, Va., school board (Justice Powell); a former leader of the National Association for the Advancement of Colored People (Justice Marshall); a former Justice Department official under

President Richard M. Nixon (Justice Rehnquist); a former political adviser to perennial presidential candidate Harold Stassen (Chief Justice Burger); a former Harvard mathematics major (Justice Blackmun); an anti-trust lawyer (Justice Stevens); a Rhodes scholar and football legend (Justice White); and a former New Jersey trial judge (Justice Brennan).

Collectively, the court's record in the difficult cases this term was a smorgasbord guaranteed to give lawyers whatever quote they need.

Aliens "by definition, are those outside the community," the court said in a case upholding California's exclusion of legal aliens from jobs as probation officers. But when issuing the ruling on illegal aliens and education, the court said, "We cannot ignore the social costs borne by our nation when select groups are denied the means to absorb the values and skills upon which our social order rests."

In a ruling that upheld federal intervention in cases involving termination of parents' rights, the justices said, "When the state moves to destroy weakened familial bonds, it must provide the parents with fundamentally fair procedures." But when it resolved a second case by ruling against a federal role, the court said the use of federal habeas

corpus "should be reserved for those instances in which the federal interest in individual liberty is so strong that it outweighs federalism and finality concerns."

Extraordinary facts — the plight of the mentally retarded, the crime of exploiting young children in sex films, a blatant abuse of power by the courts of Mississippi against the NAACP — occasionally permitted solid majorities.

Justice O'Connor's arrival seemed to polarize the court further. She brought her conservative ideas of judicial restraint, most pronounced in cases involving confrontations between federal and state power. Much of her writing struck the note of states' rights.

Federal habeas corpus, which allows judges to review state criminal incarceration at any time, is "federal intrusion," she wrote.

Federal court rulings on whether state unemployment taxes may be imposed on religious schools constitutes "federal court interference," she wrote. A decision striking down Idaho's method of taxing corporations, she said in dissent, has "straitjacketed" the states. The crusade clearly got to the liberal wing. Justice Brennan noted that "the bloom is off the rose" as he dissented from one



Justice William H. Rehnquist



Justice Thurgood Marshall

of Justice O'Connor's rulings and accused her of straying from an earlier opinion she wrote in a case involving a plaintiff named Rose.

There was one major exception to her efforts on behalf of judicial restraint. She wrote the decision declaring unconstitutional the exclusion of men from the Mississippi University for Women nursing school. The language of the decision is an important reinforcement of the law against sex discrimination.

In other highlights, the justices:

- Disapproved in several cases of making one person responsible for the misconduct of others. Contractors in Pennsylvania cannot be punished for job discrimination by a union hiring

hall and NAACP protesters in Mississippi cannot be punished for violence not directly tied to them. A criminal cannot be put to death unless he is directly involved in a murder.

- Carved out a special legal place for children. In the child pornography case, the illegal aliens case and the federal intervention in child custody case, the court said special protections are due the young. Similarly, it permitted prayers on public college campuses, but refused to retreat from its ban on prayer in public grade schools.

- Said that fee-splitting among doctors could be automatic violations of anti-trust law and bar associations cannot impose excessive restrictions on the content of lawyer advertising.

4 Years Later, Budget In California Reflects Voters' Tax Rebellion

By Robert Lindsey

New York Times Service

SAN FRANCISCO — Four years after Californians rebelled and voted a limit on soaring property taxes, the state has adopted a new budget that officials say may bring about the kind of deep cuts in public services that were envisaged when the law was passed.

The budget, for the 12-month period that started July 1, mandates the first decline in spending, from one year to the next, by the state since 1943.

Passed by the Legislature after weeks of disagreement over how to spend diminishing revenues, the budget totals \$25.2 billion, about 2 percent less than that for the previous fiscal year.

"Taxer and Spender"

The Legislature's ability to reach an agreement on a new budget without approving new taxes appeared to strengthen the senatorial campaign of the state's Democratic governor, Edmund G. Brown Jr., who is under attack by his Republican opponent, Mayor Pete Wilson of San Diego, as a "taxer and spender."

Gov. Brown, who signed the budget bill June 30, can now present himself to voters as having balanced the budget and avoided a threatened deficit of more than \$2 billion.

But in balancing the budget, legislators cut deeply into programs long protected by some of the state's most influential lobbying organizations and brought warnings of difficult times ahead for California's 429 cities, 58 counties and 1,044 school districts.

The legislators voted to reduce state aid to cities and counties by more than 20 percent, put a virtual freeze on state aid to school districts, raised fees at state universities \$100 to an average of \$416 annually, decreed that there would be no cost-of-living increases for state employees and most welfare recipients in the 1982-83 fiscal year and, over the objections of medical organizations, approved a program designed to control rising medical costs for the poor.

"It will provide a year of anguish, pain and sadness," said Assemblyman John Vasconcellos of San Jose, one of many Democratic legislators who said that the burden of balancing the budget will fall hardest on the poor.

"Message of Prop 13"

But other people, including Howard Jarvis, co-author with Paul Gann of Proposition 13, said that state and local governments had been ignoring the "message of Prop 13" and that more cuts in spending were overdue.

Proposition 13 was approved by

65 percent of the state's voters in June, 1978. It limited taxes on property to 1 percent of its value and subsequent increases to 2 percent annually. When a property is sold, the tax can be raised to 1 percent of the property's current market value. This provision has often brought sharp differences between the tax levied on homes that have been resold since 1978 and those that have not been resold.

Almost immediately, Proposition 13 slashed property tax revenue by 60 percent. Since then, because of the 2-percent increase allowed each year and the turnover of property that permits higher assessments, property tax revenue in some communities has now almost reached pre-1978 levels.

Since 1978, however, the Legislature and the voters have approved a series of other tax cuts. Most recently, voters approved measures on the June 8 election ballot that all but eliminated state inheritance taxes and permanently limited annual increases in state income taxes by tying them to increases in consumer prices.

\$5-Billion Surplus

Although the rate of growth in public employment slowed abruptly after the passage of Proposition 13, many cities, counties and school districts continued operating more or less as they had before the series of tax-cutting measures.

They were able to do so largely because there was a surplus of more than \$5 billion in the state treasury. The surplus was distributed to local governments, and it reduced much of the pressure to cut government spending.

But the surplus is now exhausted, and public officials throughout the state have been warning recently that they will have to lay off employees, curtail services and add or increase fees for the use of parks and other services.

In cutting state aid to cities and counties by \$270 million, the Legislature gave proportionately more money to large cities, such as Los Angeles, which have more effective lobbyists than smaller cities. But two of the state's most powerful lobbying organizations, the California Teachers Association and the California Medical Association, experienced unusual setbacks in the scramble for pieces of a smaller pie.

Jobless Rate Falls in Italy

United Press International

ROME — Italian unemployment dropped from 9.3 to 8.6 percent in the first trimester of 1982 and inflation in June continued at the May level of 15.2 percent, the government reported.

Shultz Reportedly Believes Weinberger Cost Him Earlier Job at State

By Martin Schram

Washington Post Service

WASHINGTON — Although they are viewed as the boys from Bechtel, George P. Shultz and Caspar W. Weinberger have not always been close. In fact, the two men have been at odds since the Reagan administration began. Mr. Shultz has privately said he believes that Mr. Weinberger eased Dr. Calvin J. Ronald Reagan away from naming

him secretary of state in 1981, informed sources say.

The two respect each other's strengths and attributes, having served together in President Richard M. Nixon's Cabinet and later at Bechtel Group Inc. But they have not been the personal intimates that many in Washington believe them to be, according to sources who know them both. And they will now play out their roles as the administration's top two national security policy-makers against a backdrop that was sketched in part during the days of intrigue of the Reagan transition.

Mr. Shultz was being actively promoted for the secretary of state job by a number of prominent Republicans, among them Arthur F. Burns, a former Federal Reserve Board chairman, and Melvin R. Laird, a former defense secretary, according to informed sources.

Mr. Shultz was willing to take the job, they said, and those supporting him believed they had convinced Mr. Reagan to name him.

But Mr. Shultz and some of his supporters believe that Mr. Weinberger was instrumental in turning

him friend Mr. Reagan away from Mr. Shultz as secretary, according to these sources.

As they understand it, Mr. Weinberger passed the word that Mr. Shultz felt committed to stay in his job as president of Bechtel, where Mr. Weinberger was then employed as a vice president, general counsel and a director. Mr. Weinberger is also said to have suggested during the transition period that it might be unwise politically for the administration to appoint two senior Bechtel officials to top national security positions, being aware that he, too, was in line for a top administration job.

The job Mr. Weinberger is said to have wanted most was secretary of state.

Mr. Shultz was also ready to take the job at State, had it been offered, and the first time that Mr. Shultz was aware that Mr. Reagan was being told otherwise was when he received a telephone call from the president-elect. As one of Mr. Shultz's allies tells it:

"Ronald Reagan calls George and says he has talked to what he called 'friends of yours' and that he understands that George feels he has a commitment to stay at Be-

chtel. Reagan goes on to say he hopes George can help him in other ways. And that is the end of it. George never had a chance to say no."

Mr. Shultz did not dispute that version when it was recounted to him earlier this year by a Washington Post reporter. "I was never invited to join the administration," he said. "And I never turned it down — I never had a chance to."

He added, "I loved it in Washington. I liked what I'm doing" at Bechtel, and when people asked whether he wanted to come to Washington again, "that's what I'd respond. Nobody asked me to take any job."

He also said he did not know where Mr. Reagan would have got the view that he was unwilling to become secretary of state then, adding specifically, "I never discussed it with Cap," a reference to Mr. Weinberger.

A senior White House official confirmed that Mr. Reagan telephoned Mr. Shultz during the transition period and that the president-elect was of the opinion that Mr. Shultz felt he could not leave Bechtel at that time, and so did not

discuss a Cabinet job with him. The official said he believes that by the time the president-elect telephoned Mr. Shultz during the transition, he had already made up his mind to nominate Alexander M. Haig Jr. as secretary of state, and Mr. Weinberger as secretary of defense.

(Mr. Weinberger is on vacation, and a spokesman, Michael Burch, did not respond to questions on whether the secretary played a role in Reagan transition discussions concerning Mr. Shultz.)

Mr. Shultz discussed the matter

UN Secretary-General Begins European Tour

Reuters

GENEVA — UN Secretary-General Javier Pérez de Cuellar arrived here Sunday for talks with UN and Swiss government officials at the start of a 17-day tour of Europe.

The secretary-general will open the summer session of the UN Economic and Social Council here on Wednesday before making a two-day official visit to the federal capital of Bern.

Russian Sees Harder Line

MOSCOW (Reuters) — A senior Soviet official has said the Reagan administration could take a tougher stance on foreign policy when Mr. Shultz becomes secretary of state.

Leonid Zamyatin, a close aide of President Leonid I. Brezhnev, said in a television discussion program Saturday that Washington may try to extend economic sanctions against the Soviet bloc and thus cause further rifts in U.S. relations with Western Europe and Japan.

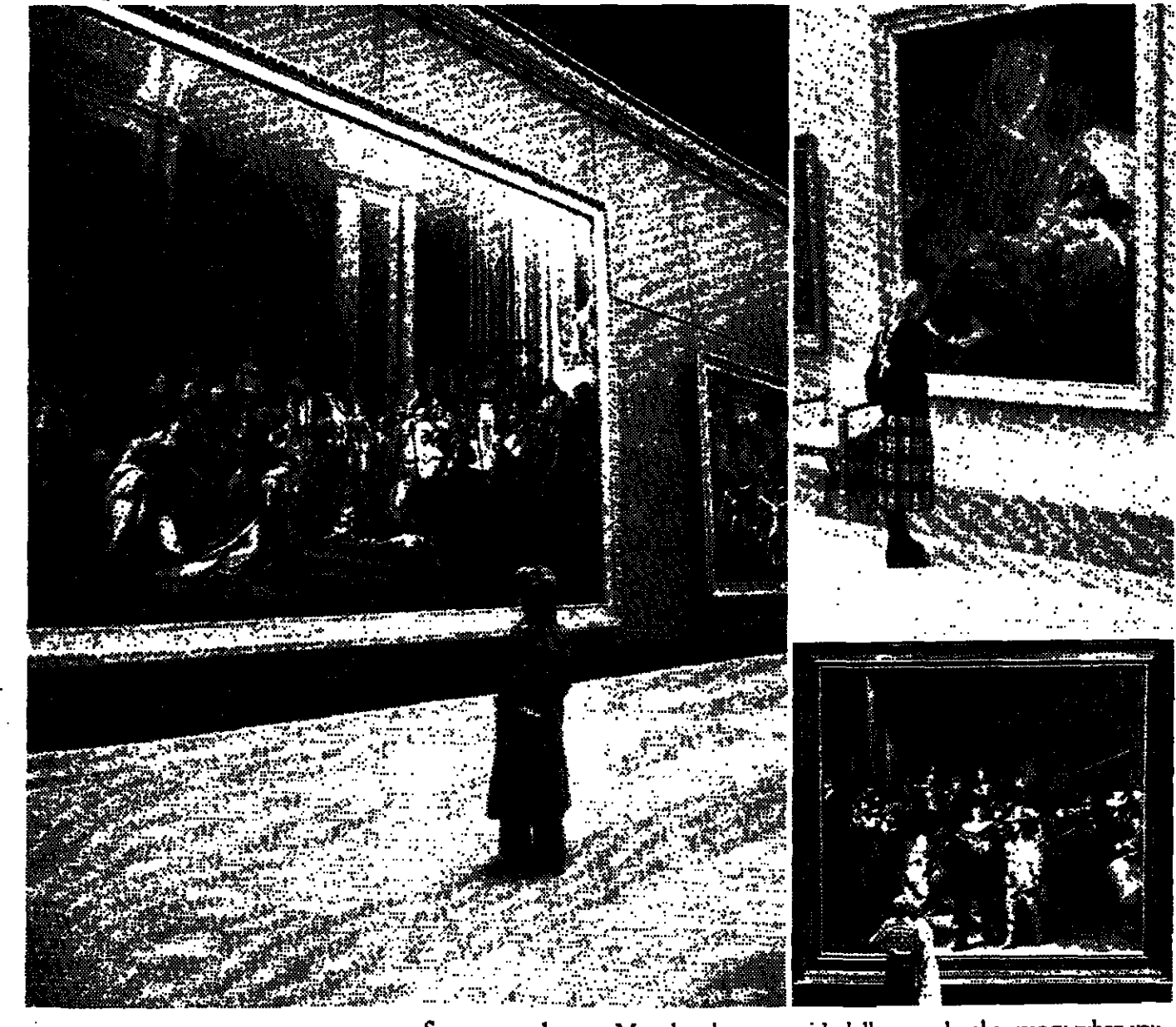
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Herald Tribune

Published With The New York Times and The Washington Post

Radio Martí: Merits, Costs

From THE WASHINGTON POST:

The Reagan administration's proposal for a new radio station to broadcast news of Cuba to Cuba — not just news of the United States, as the Voice of America already does — has a good deal of merit.

One of the purposes behind it is to serve a general policy of making it harder for Fidel Castro to run his country. Whatever one thinks of that, "Radio Martí" could give Cubans, as Radio Free Europe and Liberty gives East Europeans and Soviets, the chance to hear news kept from them by their government's controlled media. That seems to be the central consideration. Listening is entirely the listener's choice.

Mr. Castro, who knows something about foreign broadcasting, says he would regard Radio Martí as hostile and subversive. But the station, if properly run, would be hostile and subversive only to the extent that truth is hostile and subversive — the truth, for instance, about the scope and costs of Cuba's foreign adventures. In the United States, some worry that Radio Martí might provoke Cubans to revolt or, more plausibly, to emigrate in uncontrollable numbers. But careful policy guidance presumably would keep broadcasts on the information level.

There is concern that a new station would undercut the Reagan administration's diplomatic outreach to Cuba. The Reagan initiative apparently amounted to an all-or-nothing proposition to switch sides. Mr. Castro rejected it, as one might have expected. He had already rejected as well, however, the

previous administration's very differently pitched effort to reach an accommodation by more gradual and conventional means. An impartial observer would have to conclude that he puts a higher value on his commitment to sustaining and exporting revolution. On general principle it is wise to keep on trying to talk. But that is no reason not to try something else — like Radio Martí — that should have been tried years ago.

One practical problem, however, must be disposed of first: the interference of Cuban and U.S. radio signals. There is a history of Cuban interference with U.S. and other hemisphere radio broadcasting on the sensitive and crowded AM band. Cuba has its own complaints, not least that Radio Martí would entail a U.S. violation of a treaty obligation to confine AM broadcasts to the country where they originate.

Within the Reagan administration, there is a strong tendency to handle Cuban radio interference, existing and prospective, as a raw political challenge and not to yield to it. Many American commercial broadcasters, however, are inclined to go slow on Radio Martí so as not to add what they regard as an extraneous issue, and a hot one, to a radio negotiating circuit that is already groaning under a heavy load.

Radio Martí could make a useful addition to the news available to Cubans. But the Reagan administration will have to do better in explaining to the U.S. Congress how it proposes to keep American radio listeners from paying unduly for it.

The Failures of Voodoo

From THE NEW YORK TIMES:

Recall the catechism: If we cut taxes, limit spending and hold back monetary growth, the economy will be born again. Long-term interest rates will fall as lenders gain confidence that inflation is cooled. That will trigger a boom in productive investment. And it will be sustained by the personal savings of a revitalized work force.

It seemed too good to be true, and it was. As President Reagan acknowledged last week, Congress gave him most of what he wanted, including the income tax cut that will raise take-home pay this month. Yet U.S. interest rates remain at record-high levels, investment has shriveled and the economy staggers in recession.

Administration officials churn out excuses. But they sound more and more like the schoolboy whose dog ate his homework. It now appears that the best hopes ride on conventional approaches to maintaining growth and price stability.

Mr. Reagan's advisers banked on the tax cut to release a torrent of savings and effort. But a college sophomore with a pocket calculator could predict that most of the effect would be offset by inflation-induced bracket creep, increased state taxes and scheduled increases in Social Security taxes.

Corporate America, too, was supposed to be roused by the president's check on government spending and the Federal Reserve's tight money policy. But Mr. Reagan's tax cuts far exceeded his budget cuts, scaring Wall Street with the prospect of huge deficits in the mid-1980s. And with most businesses hedging their bets by borrowing short-term, the Fed's reluctance to supply the cash led to incredibly high interest rates.

There are signs that the recession has bot-

tommed out. Retailers are replenishing inventories and builders plan slightly more housing. But the best guess is that tight credit, stretched tighter by the Treasury's own borrowing, will suffocate the recovery in its cradle. Reaganomics will defeat itself.

Liberal Democrats argue, correctly, that the Fed could sustain the recovery by creating enough money to lower short-term interest rates. But the Fed argues, also correctly, that this could drive up inflation and long-term interest rates. What is needed is a tighter fiscal policy so that the Fed could ease up without frightening business.

But Mr. Reagan has closed off the simplest retreat from his prospective \$200-billion deficits: No, he says, neither the 10-percent tax cut scheduled for 1983 nor the indexing of tax rates in 1984 can be postponed. He may still be open to a big tax on energy. And conservatives would prefer a "flat rate" income tax reform, eliminating most deductions and sharply lowering marginal rates for the affluent. But it is doubtful that major changes in the tax code could be engineered quickly enough to save the recovery.

Charms are nothing more will be done until the voters appraise Reaganomics in this year's Congressional election. The president obviously prefers to give his theories the benefit of a doubt; he will plead for still more time as the economy strains to recover.

Yet what was voodoo in the spring will still be voodoo in the fall. The recession was the price the United States had to pay for unwise management in the 1970s. But Reaganomics has prolonged the agony with indigestible deficits and compounded the suffering with budget attacks on the poor. It sounds like to say let the voters judge. But what Americans are losing, daily, is irretrievable.

Other Editorial Opinion

Games for World Leaders

Two Canadian fellows have designed a board game called "The Falklands." Object: to "win" the war in the Falklands. A member of the British Parliament has asked that the game be banned in Britain, saying it is disrespectful to British lives lost in the war. It's a shame the game wasn't developed before the war, so that perhaps the leaders of Britain and Argentina could have been persuaded to sit down and play it instead of going through with the real thing. As a matter of fact, maybe the two young Canadian game designers could come up with similar games that world leaders could play in lieu of actual fighting. Think of the uncountable savings in lives and money. Perhaps even video games could be designed, and the United Nations could be turned into one gigantic game room.

—The Mirror (Altoona, Pa.)

Bonn Alliance: How Long?

The agreement on the 1983 federal budget reached by the two partners in the West German coalition means that Helmut Schmidt's administration is safe — for the moment. It indicates that the battered and crumbling alliance between the Social Democrats (SPD) and the Liberal Free Democrats (FDP) in Bonn will outlive its 13th birthday in the autumn. But for how long, once the inevitable predictability of West German politics, which reflects the remarkable slowness with which the political pendulum has swung in Bonn in the one-third of a century of the Federal Republic's existence. Just as in the late 1960s it was for years a question not of whether but

of when the SPD would displace the tired Christian Democrats (CDU) at the head of federal affairs, so now it is a matter of whether or when the CDU comes back. The "How" in each case involves a transfer of allegiance by the FDP. Cynics argue that the lackluster leadership of Helmut Kohl in the CDU is the only factor apart from the split in the FDP that has prevented a CDU takeover before now. The SPD has had its day, knows it and shows it. This must mean that Helmut Schmidt has very nearly had his, because the pendulum is unlikely to swing back soon enough to enable him to make a comeback once he has gone. He is already staked out as victim No. 1 of West Germany's peculiar graduation of inevitability.

—The Guardian (London)

Begin: More Than Chutzpah

It was something more than chutzpah that sent Menachem Begin to the United Nations to denounce "aggressive war" and then on to Washington to explain to President Reagan why Israel had invaded Lebanon and marched to Beirut. It was arrogance, brass, a willful disregard for the sensibilities of the civilized world. It is no wonder that two-thirds of the membership of the UN General Assembly boycotted Begin's address. It is regrettable that the government of the United States has had so little to say against Begin's latest and bloodiest adventure in the Middle East. The Reagan administration may be embarrassed by Begin's coming to Washington, but it may be privately elated over the success of Israeli arms, furnished by the United States, in contest against the Arabs armed with gear from the Soviet Union.

—The Arkansas Gazette.

July 5: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Japanese-Korean Tiff

SEOUL — The report of the appearance of a Korean delegation at The Hague caused a great sensation to the Japanese authorities, and the Emperor of Korea is charged by the Japanese with bad faith. He repudiates the mission, declaring that its credentials are forgeries, but the Japanese are satisfied of his connivance in and financial backing of the mission. The revelation is certain to precipitate a crisis in the relations between Japan and Korea, making it increasingly difficult for Marquis Ito, whose policy for the Korean was modeled after that of Lord Cromer in Egypt, to resist the strong influence of Tokyo demanding an iron hand or open annexation.

1932: Hard Times in Italy

ROME — As June marked the conclusion of the first year of an intense phase of the economic crisis in Europe, statistics published in Rome give an interesting reflection of the effects of hard times on the Fascist state. The budget commission reports that during the past year wages have fallen 10 to 15 percent, as have incomes on real estate; incomes on stocks and bonds 33 percent and commercial profits 40 percent. The general decline in the cost of living amounted to about 10 percent. Restaurants have fallen and it is possible to go to restaurants of almost any city outside Rome and find the old prices actually linked out on the menus and reduced figures substituted.

Solving Beirut Crisis With Minds Instead of Arms

By Flora Lewis

PARIS — The guns and troops are still there. But, four weeks after Israel's invasion, the worst has so far been averted in Beirut. There are signs that some movement has at last begun in men's heads instead of only with their armor.

The old truce has been shown again: It's a lot harder to get out of a war than into one. There is reason to believe Israeli Defense Minister Ariel Sharon when he says his country "doesn't want to keep an inch of Lebanese territory and hopes Lebanon will be the second Arab country to sign peace."

But now he, too, seems to see that it can't be achieved with arms alone. Lurching, in civilian clothes, in an east Beirut restaurant, he added that "we think problems should be solved peacefully, with diplomatic efforts and patience." He also said, "We believe in peaceful coexistence with the Palestinian people."

Sharon has never been a patient man. His own college pointed out before the invasion that he believes in the use of force as an "other means" of last resort in the Clausewitz sense. He

believes in the fait accompli, as he demonstrated at Suez in the 1967 and 1973 wars, disobeying orders from Jerusalem not to go too far in the conviction that he could get away with it. He may have done the same thing in Beirut.

Still, a sense of both political risks and opportunities is beginning to weigh on all involved in the frightening situation.

Yasser Arafat, a shrewd and cautious man, said the appeal by three world Jewish leaders for mutual recognition between the PLO and Israel is "a positive initiative toward a just and lasting Middle East peace."

Egypt, France and Saudi Arabia have accepted the destruction of the PLO as a military force and are moving now to save it as a viable political organization, on the ground that otherwise there will be no one to speak for Palestinians until they are able to generate another, even more extreme radicalized leadership.

The offer by Egypt's President Hosni Mubarak to accept a Palestinian government-in-exile in Cairo has

been helpful. The extreme factions of the PLO would be split off. Moderate Arabs, including Jordan's King Hussein, would be released from the pledge endorsing the PLO as "sole legitimate representative of the Palestinian people."

Butros Ghali, the lucid Egyptian secretary of state for foreign affairs, points out that mayors in the West Bank and Gaza Strip could then be included in talks on the Palestinians' future. Israel, if it chooses, would have a way around its determination never to deal with the PLO, because a government-in-exile could do something else.

Egypt has regained recognition in the crisis from both the PLO and several Arab states as an irreplaceable center. At the same time, however, it has given concrete proof, beyond previous verbal assurances, that it remains deeply committed to its peace with Israel.

This should be an important element in easing Jerusalem's fears about accords with Arab states. Ironi-

cally, it is an additional obstacle in the urgent, practical problem of how to get the PLO forces out of Lebanon. Egypt isn't afraid it would be unable to control them if they moved en masse to Cairo. But it accepts that admitting them would violate the spirit of Camp David.

They don't seem to know where to go, and the fate of Beirut still hangs on arranging their way out decently enough to create the chance that has been blasted open for a long-term negotiation. That is in Israel's ultimate interest, as well as in the interest of the United States. It needs to be taken before the Soviets, who have been stirring after a strange silence, get their cumbersome policy machine together and decide to intervene.

For the moment, however, the diplomats are overwhelmed with the tricky issues of just ending the fighting and sorting out the sides. And now, in what Ghali said has become "the battle of symbols," it is time to review the underlying attitudes that have kept the Arab-Israeli state of war going so long.

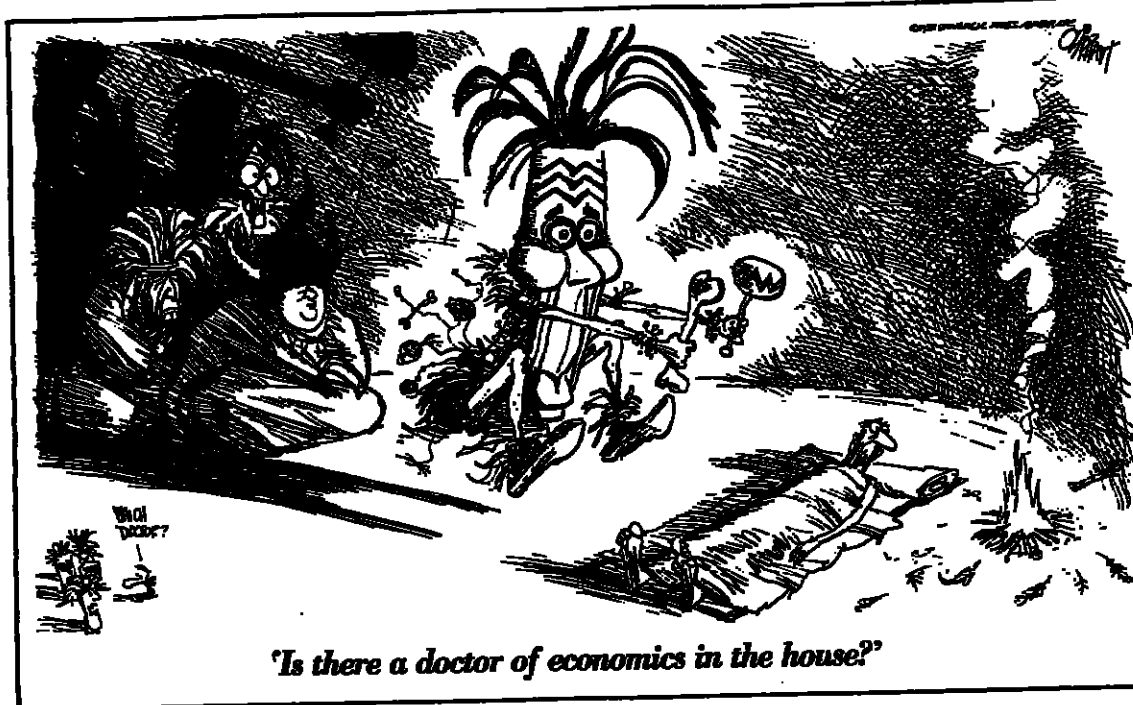
Over the frustrating years of a search for peace, Israeli leaders have come to believe that Arabs "only respect force" and will not hear reason. They can make an impressive argument, but it is misleading. What Arabs respect is success, above all success in building a viable nation. That has been Israel's most dazzling achievement and their major failure.

The PLO has been obliged to see now that it, too, was misled by the argument. Its dedication to "armed struggle" has brought only disaster, and, far from galvanizing Arabs everywhere, it served to multiply feuds and weaken them.

The way for Palestinians to emerge from defeat with honor is to redefine victory as the same kind of success that distinguishes Israel, not military might but vibrant self-respect.

Nation-building is the essence of the Palestinian cause. It can only be achieved with, not against, Israel. Israel should take heart from its own experience and encourage that, now that the walls have been made to tumble down.

The New York Times.



Mexican Land Battles, Rights Abuses

By Jonathan Power

SAN CRISTOBAL DE LAS CASAS, Mexico — It's the rainy season in Mexico. In the southernmost state of Chiapas, close to the border with Guatemala, the tiny Indian mountain plots are receiving their annual deluge.

The Indians, descendants of the Mayans, whose astronomy and mathematics were the most advanced of the pre-Columbian civilizations, wander around with plastic waterproof skirts covering their red serapes and black skirts or trousers.

The greenness is deceptive. Without irrigation, the land is unfruitful for most of the year, dry as a bone — recalling the lines from the Cuban film "The First Charge of the Maches": "when even the flowers withhold their perfume, when even the streams withhold their water."

But in parts of the lowlands there is now water the year round. The Mexican government has built large dams over the last decade and a half, and the land has sprung to life, producing coffee, sugar, vegetables and fruit. Land disputes that had simmered quietly for a century or more have begun to erupt. Peasants claim land of the landlords. Landlords seize the land of peasants. There are gunfights and private armies. The local church workers in San Cristobal de las Casas, the 17th-century town that is the center of the region, say there have been massacres.

In the law, it is often difficult to sort out the rights and wrongs. There have been so many pieces of land legislation in the last hundred years, each laying out new principles, while not clarifying age-old rights, that litigation has been known to go on for two generations.

The Mexican Army is actively ensconced in Chiapas. Some of the disputes have become so serious that the government is worried that the political unrest of Guatemala will spill over into Mexico. Already Guatemalan guerrilla movements use Chiapas as a refuge. Some U.S. State Department observers attribute recent Mexican caution on speaking up for the left in Central America to nervousness about the contagiousness of land rebellions.

For those who have watched Mexico trumpet the cause of human rights so vocally in Central America it can come as something of a surprise to learn that this white knight on a charger has problems of his own.

Yet land problems and human rights abuses are not new to Mexico. According to the State Department's most recent annual report on human rights, Mexico has 1,000 political prisoners. The report also notes that "there are credible reports of physical mistreatment of prisoners and of verbal threats by the police to the detainees or family members."

Amnesty International goes further. The draft of a report sent to be published talks of reliable information on "deaths in custody" (in some cases apparently the result of torture), "disappearances and extrajudicial executions." Many people, particularly peasants involved in land disputes and trade union leaders, are condemned to long years of imprisonment on charges of murder, robbery or property damage, with the sole evidence against them being confessions allegedly obtained under torture during the initial phase of their arrest when they are incommunicado detention.

The bishops of the Roman Catholic Church are one of Amnesty's principal sources of information. They are becoming increasingly vocal in Mexico despite the constitution's prohibitions on the clergy's participation in politics and its right to criticize basic laws. The bishops of the southern Pacific region have spoken out against the involvement of the security services in the repression of peasants. In April, 1981, Sergio Méndez Arceo, the bishop of Cuernavaca, a spa town near Mexico City, ordered the excommunication of torturers in his diocese and stated that the general public was convinced that "the police are not a protection, but a source of terror."

Rosario Ibarra de Piedra, the charismatic presidential candidate of the Revolutionary Workers Party, claims that about 500 people have disappeared in Mexico in the last 10 years, including her son.

Miguel de la Madrid Hurtado, presidential candidate of the official government party and the man who was expected to be the runaway victor in Sunday's national election, said in November that he regarded demands to establish the whereabouts of these 500 people as legitimate, but he added: "People disappear in every country of the world, and the governments never know what has happened to them." Ibarra de Piedra, however, believes that at least some of the "disappeared" are held at Military Camp No. 1, on the outskirts of Mexico City, a conclusion that Amnesty International has also reached.

Many such accusations appear in the Mexican press, political prisoners are allowed to write letters to Amnesty, investigations are regularly mounted, and policemen are fired and even brought to trial for abuses.

Yet, just as there was on Sunday an election with candidates and campaigns but with only one possible victor, so dissidents in Mexico, while often free to speak their mind and organize their protests, never quite know when the heavy arm of the police, the military, or a landlord's private army will ruthlessly stamp on them.

International Herald Tribune.

Singing the Music of Independence

By James Reston

WASHINGTON — The Declaration of Independence was submitted to the Second Continental Congress 206 years ago by Richard Henry Lee of Virginia on June 7, 1776, and was passed unanimously, as amended, by the 13 United States of America 27 days later.

The Founding Fathers — or "persons," as we now call them — were not acquainted with the modern techniques of partisan conflict and prudent delay, so they voted the darn thing through after a couple of days' debate without a dissenting voice. Maybe the old boys were no smarter, but at least they were quicker.

Richard Henry Lee seems to have been an odd character. He wrote the "real" Declaration of Independence, and he wrote it with brevity and generosity, not minding who got the credit. On instruction from the Virginia Convention, he came up with a simple proposition for the consideration of the Continental Congress:

"Resolved: That these United Colonies are, and of right ought to be, free and independent states; that they are absolved from all allegiance to the British Crown, and that all political connection between them and the State of Great Britain is, and ought to be, totally dissolved."

The Congress thought this was a pretty good idea, and appointed a committee consisting of Thomas Jefferson, John Adams, Benjamin Franklin, Roger Sherman and Robert R. Livingston to consider Richard Henry Lee's proposition.

There was a bit of a fuss about the origins of the declaration. Richard Henry Lee admitted that he had cribbed his ideas out of John Locke's

Treatise on Government, and had even been influenced by the elementary rights of Aristotle and Cicero.

Adams complained that Jefferson's Declaration of Independence had no new ideas in it, and Jefferson, admitting the charge, wrote to Lee that the essential thing was to "place before mankind the common sense of the subject, in terms so plain and firm as to command their assent."

The contrast today, assuming such a major decision had to be made about the future of the republic, is startling and even amusing. The Congress now would want to know about its "own" independence. Sen. Jesse Helms of North Carolina would certainly want to know whether an "independent" republic would assure federal farm supports for his tobacco growers in North Carolina; Middle Western senators would be wondering whether they could go on selling grain to the Soviet Union, no matter what the Soviets did in Afghanistan or Poland. And what would this all mean to the flow of arms to Israel and the struggle in the Mideast?

The modern Congress would also be asking many other things. Who, for example, are all these people who produced these subversive ideas in the first place — Aristotle, Cicero and all these other "foreigners." Has the FBI looked into Jefferson?

And why couldn't Jefferson have left Richard Henry Lee's simple Declaration of Independence from the British alone? Why did he have to add: "We hold these truths to be self-

evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are, life, liberty and the pursuit of happiness?" Getting the Creator into this and leaving out the women is not going to help the "pursuit of happiness."

Think how old-fashioned the old codgers in the Congress were in Jefferson's days. They accepted the Committee on the Declaration of Independence, had faith in its members and followed its advice. Nobody filibustered or protested or questioned the committee's good faith about who would write the declaration.

The former chief justice of the United States, Earl Warren, said just before he died that if the Bill of Rights was put to a vote of the American people, it would probably be defeated overwhelmingly. But fortunately, we don't take polls on everything in the United States.

So the Declaration of Independence remains 206 years later. In his first draft of the declaration, Jefferson wrote not that "these truths are self-evident" — that all men are created equal and independent — but that they are "sacred and undeniable." And though the people may not believe in this, they still seem to believe in believing.

Jefferson wasn't quite fair to Richard Henry Lee, who really wrote the simple words of the Declaration of Independence; but Jefferson rewrote it and rewrote it, and with a little help from Franklin and Adams, produced music, which still sings in the American memory.

The New York Times.

LETTERS TO THE EDITOR

The German Majority

Why do you and the American media so overemphasize reporting about the activities of a Moscow-oriented and -influenced German minority? The behavior of only 0.5 percent of the German population may cause the American public to believe that the Germans are against the U.S. Why not report about the 99.5 percent of Germans who support close ties between Germany and the U.S.? Those Germans consider the alliance between our countries desirable and necessary in order to prevent a Communist takeover of Western Europe.

Only by reporting and emphasizing that most working Germans desire close ties to the U.S. and approve of its presence in Western Europe can the understanding and friendship between our countries improve.

Why does nobody report about the Germans who represent the majority and welcome the Americans and their friendship?

HEINER SCHWABERZEL
Bremenhaven, West Germany.

Middle English Holiday

Your columnist William Safire, writing on British slang in an article entitled "Hag's Snake-Charmers" (IHT, May 10) did a commendable job in defending American English, if indeed that is not a contradiction in terms. However, in one case at least his aim was awry — "holiday," apart

from its obviously respectable ancestry as "holy day," has, according to the Oxford English Dictionary, been used synonymously with "vacation" since Middle English (i.e., before 1450). I feel sure it must have made the Atlantic crossing before 1970, even given the isolation of the United States from English civilization.

LAWRENCE BANKS,
London.

The Facts as Tools

John Dornberg ("Reagan's Visit and Raised Hopes," IHT, June 12) launches into a sweeping condemnation of U.S. media coverage of the NATO summit in Bonn. He resurrects the cliché about "not letting the facts get in the way of a good story."

Perhaps he may not think so, but your readers might be gratified to hear that while most of us in the media appreciate a "good story," we use the facts as the tools to tell it.

PHILIP J. TILL,
NBC News, London.

What Americans Believe

Americans believe, in Britain, believe in a strong, free NATO, believe in the rule of law. The wise among them also know that Miami lies closer to Vienna on any map than it does to Rio, just as the fiction of U.S.-Latin American solidarity lies in the domain of postprandial speeches.

ALBIN DEARING,
Perugia, Italy.

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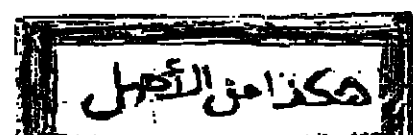
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International Herald Tribune, 181 Avenue Charles de Gaulle, 92521 Neuilly-sur-Seine, France
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Directeur de la publication: Walter H. Thayer

General Manager, Asia: Alain Lecour, 24-34 Hecquety Rd. Hong Kong, Tel. 2-28 56 18. Telex: 61170
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French Communists See a Chance

Austerity Plan Allows Cautious Break From Socialists

By Richard Eder
New York Times Service

PARIS — The French government's intransigence from economic expansion to austerity has given the Communist Party, badly eroded by its uncomfortable junior partnership with the Socialists, some new political opportunities.

Until now, the Communists, who lost a great deal of ground in the Socialist-led last year's election, have been careful to support publicly almost every move of the government, in which they hold four of 44 Cabinet positions. The party leadership reasoned that Socialist popularity and Communist electoral weakness made President François Mitterrand's coalition the only viable, if undignified, form of political transport.

Now the party is beginning to give the coalition some vicious tugs, while still riding. The government's decision to impose a four-month freeze on prices and wages, raise payroll and corporate contributions to the unemployment fund and cut some social benefits has been the Communists' signal to move out to the left.

Georges Marchais, secretary-general of the party, delivered a speech in Corsica last month in which he flatly criticized the wage freeze, calling it unnecessary and unfair. Mr. Marchais praised other parts of the program and made it clear that the Communist Party would still give general support to the government, but he had never spoken out so sharply against the Socialist government's policies.

A Hint of Strikes

Henry Krasucki, the Communist head of the largest labor group, the General Labor Confederation (CGT), said the union movement rejected the wage freeze. He said workers in each plant "would have

to decide upon their response" — a clear hint that protest strikes might be in preparation.

The Communist position remains one of what may be called "cautious break" from the Socialists. The party's leaders have no desire to lose their foothold in the government. In a recent debate in the National Assembly, the Com-

NEWS ANALYSIS

munists criticized the wage freeze but made it clear they would join the Socialists in the vote enacting it. The Socialists have a parliamentary majority even without the Communists' support.

The government's swing to austerity has drawn fire from the entire labor movement as well as from management, although it remains to be seen how unpopular — or unpopular — it will prove to be. In any case, it has given the Communists their first useful issue since Mr. Mitterrand took office.

In using the issue, they have drawn encouragement from two recent victories — again, their first since Mr. Mitterrand became president.

Union Victory

Two weeks ago they managed to call out as many as 200,000 people on the streets for a march against nuclear weapons, despite the failure of the Socialists and a number of anti-nuclear groups to support it. It had been several years since the Communists had drawn a satisfying street crowd.

Soon after the march, the CGT culminated a long and bitter struggle by winning a stunning victory in the Citroën car plant, defeating the company union and winning almost 60 percent of the vote. The Communist-led confederation had been losing ground in factory elec-

tions, and the Citroën victory raised its spirits considerably.

The Communists have not seriously begun to erode Socialist strength, but the government's difficulties have given them an issue for the future — if austerity fails or becomes unsupportable.

Mr. Mitterrand will need the cooperation of labor if the freeze and the policies of wage restraint to follow it are to work. Up to now it has been essential to the Communist Party to avoid a rupture with the Socialists. Now it is important for the Socialist Party to avoid a rupture with the Communists because of their power in the labor movement and their ability to encourage dissent there.

That has accounted for a number of concessions the Socialists have made to the Communist Party for the municipal elections that will take place next year. It is likely to make Mr. Mitterrand uncharacteristically tolerant of the Communists' holding power in the government while criticizing it from outside.

Although the final shape and dimensions of the government's austerity plan are not yet evident, and may not be for several months, it is clearly operating with a sense of crisis. The premises of the Socialist first year in office — that it would be possible to expand the economy and simultaneously increase and redistribute national income in a recession-bound Western world — have been abandoned, at least for the moment.

The turnaround was sudden, prompted by a disastrous run on the franc. Since a devaluation last month, the franc has been fairly stable in relation to other European currencies, although, like them, it is being hurt by the relentless rise of the dollar.



Igor and Bella Korchnoi, the son and wife of Soviet defector Viktor Korchnoi, talked with reporters Sunday at the Vienna airport, before continuing on to Zurich to join Mr. Korchnoi.

Soviet Union Releases Korchnoi's Family After 6 Years

United Press International

VIENNA — The wife, son and stepmother of defector Russian chess master Viktor Korchnoi arrived in Vienna Sunday, ending a six-year struggle to emigrate to the West.

Bella Korchnoi, Igor Korchnoi and Rosa Friedman arrived aboard an Aeroflot flight from Leningrad.

Igor Korchnoi, 23, had spent two and a half years in a Siberian jail for refusing military service and had been served another draft notice when word came that the family could join Mr. Korchnoi in Switzerland, where he has lived since he defected in 1976.

"I am very happy my son won't be convicted a

second time," Mrs. Korchnoi said, as they waited for a Swissair flight to Zurich, where Mr. Korchnoi lives. "He's very happy that he is free now."

Igor Korchnoi said, "I'm glad, but there is a little bitterness. I've left a lot of friends in the Soviet Union." He said he wanted to study in the United States.

Mr. Korchnoi, ranked the second best chess player in the world, has been a bitter critic of the Soviet Union since his defection after a chess tournament in Amsterdam in 1976. He had written letters to President Leonid I. Brezhnev, former President Jimmy Carter, Pope John Paul II and U.S. Sen. Edward M. Kennedy asking help in having his family released from the Soviet Union.

Delays in EEC Entry Worry Spain, Portugal

Reuters

BRUSSELS — Receding hopes that Spain and Portugal will be able to join the European Economic Community in 1984 are causing growing concern in Madrid and Lisbon.

Problems in developing trade rules for agricultural products, textiles, steel and banking are making it increasingly unlikely that negotiations on the two nations' entry will be completed by the end of this year to enable the EEC's enlargement beginning in 1984.

Last week, a summit of the 10 community leaders ordered the EEC Commission to draw up a detailed list of problems involved in Portuguese and Spanish membership.

Diplomats said the move would almost certainly delay Spain's entry, and it came as a bitter disappointment, though hardly a surprise, to the Madrid government.

With French farmers and wine growers fearful of Spanish competition, President François Mitterrand told King Juan Carlos I during a recent official visit to Madrid that Spain's entry under current rules could lead to disaster.

This was a hard blow for Premier Leopoldo Calvo Sotelo, who has made entry into the EEC and the North Atlantic Treaty Organization his main foreign policy goal.

Raimundo Bassols, secretary of state for relations with the community, said Spain's hopes of joining by 1984 had been shattered by the decision. Spanish envoys would shortly meet Commission President Gaston Thorn to discuss how Spain could take part in drafting the study, he said.

Original Schedule

In Lisbon, Portuguese officials stressed that the problems lay with Spain, and that all community leaders had recently assured Portugal that they wished to keep to the original schedule for entry into the community.

Portuguese officials said the community heads of government, while agreeing it would be better for both countries to join at the same time, had also assured Portugal that if the Spanish problem proved too great, it could join alone.

Sources at the commission here, however, have said that for technical, economic and institutional reasons it would be extremely unlikely that the two countries could join separately.

Any delay would be unlikely to have a serious effect on the Portuguese economy, but it could discourage foreign investors, observers in Lisbon said.

The biggest blow would be the psychological effect on a young democracy anxious to join modern democratic Europe and the loss of face for Premier Francisco Pinto Balsemão, who over the past six months has made a series of visits to European capitals to speed Portugal's entry.

Political Problems

Mr. Balsemão's Democratic Alliance government has a large majority in parliament, but his own leadership qualities have often been questioned within his Social Democratic Party.

Similar pressures could now face the Spanish government. Mr. Bassols said recently that there was unanimity in favor of EEC entry among Spain's political parties, trade unions and industrialists.

But continuing delay could bring a turnaround in public opinion, leading Spaniards to turn against entry, he said.

Political sources in Madrid said there was little Mr. Calvo Sotelo could do to put pressure on the community. His ruling Union of the Democratic Center Party, weakened by divisions and deser-

tions, faces a strong challenge by the Socialists in general elections due within nine months.

Italy-Spain Consultations

MADRID (Reuters) — Premiers Giovanni Spadolini of Italy and Calvo Sotelo of Spain agreed Saturday to hold consultations every six months to develop cooperation between the two countries. A communiqué said Italy staunchly supported Spain's entry into the EEC.

W. Germany May Not Meet NATO Goal

By John Vinocur
New York Times Service

BONN — Preliminary reports on West Germany's 1983 military budget show that it will again fall below goals set by the North Atlantic Treaty Organization and possibly contain no growth at all.

After discussions Friday between Defense Minister Hans Apel and Finance Minister Manfred Lahnstein, an agreement was reached on a budget of \$18.4 billion, West German sources said Saturday.

The figure represents a nominal increase of 4 percent over the current year, but, with an inflation rate of 4 or 5 percent counted, real growth would be minimal or nonexistent. Mr. Apel was quoted as having said that the armed forces' financial situation "will not be free of problems."

With the other nations in the Atlantic alliance, West Germany pledged in 1978 to try to increase real growth in military spending by 3 percent a year through 1983. Spending for the current year, which cannot be finally figured until next spring, is expected to show marginal growth or none at all.

The importance of developing conventional forces was stressed at the meeting of alliance leaders here last month. No specific goals were set, but Gen. Bernard W. Rogers, the commander of allied forces in Europe, said in February that a goal of a 4-percent yearly increase for the years 1983-88 had been approved by the alliance's military commanders.

Resistance Expected

There is no certainty that the West German Defense Ministry will get what it wants when the exact amounts are debated. Resistance is expected from the Social Democrats' parliamentary delegation, which is likely to argue that military outlays will be growing disproportionately to the rest of the budget.

The outlines for the overall budget, announced Thursday, provide for some cuts in social services. For many Social Democrats, these reductions would be intolerable without similar efforts to trim military spending.

The issue of how much the United States' European partners, West Germany in particular, spend on the military has been a relatively sore one for the allies for more than two years. Some U.S. officials have expressed irritation at what they consider to be the Europeans' unwillingness to pay fully for their own defense.

The current situation in West Germany means that investments already made in new weapon systems continue to be paid for, but that virtually no new procurement projects are being initiated. There have also been cutbacks in some training and maneuver programs, and the removal from active service of some equipment that the Defense Ministry has described as of secondary importance.

After Amnesty for Illegal Aliens, Mitterrand Policy Grows Cautious

By William Echikson
International Herald Tribune

PARIS — Mitterrand's decision to live in constant fear of expulsion from France. As an illegal alien, the 29-year-old Senegalese said, he could not even ride the subway for fear of a police check.

For Mr. Mitterrand, though, those days are over. The government of President François Mitterrand has regularized his status, along with that of 100,000 other foreign workers. Those who could prove they had arrived in France before Jan. 1, 1981, and had steady work were given from August through the end of last year to file dossiers to become legal immigrants.

By granting this amnesty, the Socialist government has not only reversed the policies of the previous administration, but is also taking the opposite approach from that of many other European countries, which are trying to reduce the number of foreign workers in their midst.

Patrick Weil, an official of the Ministry of National Solidarity, said the change was necessary because past policies of vigorously encouraging immigrants to return home not only were ineffective but also "smacked of racism."

But the new policy has also provoked sharp criticism. The under-secretary of labor in charge of immigration in the previous government, Lionel Stoleru, said, "Legalizing 100,000 illegal aliens was crazy, considering France's high unemployment" — now about 8.5 percent. He also expressed the fear that the policy could in fact lead to an upsurge of racism.

Harder Line

Debate on the immigrant issue has become so heated lately as to cause the government to backtrack somewhat and promote a harder

line toward foreign workers. Interior Minister Gaston Defferre recently announced that the government would begin proceedings to expel about 20,000 illegal aliens, those who arrived after Jan. 1, 1981, and are without steady work.

Until the mid-1970s there was little dispute over the need for foreign workers, said Vittorio Porta, a specialist in European immigration working for the European Parliament. France, Greece and Europe in general, greeted immigrants with open arms. They were needed, Mr. Porta said, to do low-paying but vital jobs of manual labor in mines, factories, garbage dumps and the like.

But then the recession struck, and European governments began trying to rid their countries of the foreigners. In 1975 the government of Valéry Giscard d'Estaing ended virtually all legal immigration to France except for political refugees. It also began offering its 4.5 million foreign workers bonuses to return to their native countries.

Immigrants were paid as much as 10,000 francs (now about

\$1,470) to leave voluntarily. "The idea was the same as repatriation: open up jobs for unemployed and younger Frenchmen," said Mr. Stoleru.

But critics complained that these rewards were accompanied by a brutal expulsion policy under which police conducted raids in immigrant neighborhoods, forcing many people out of the country by trumping up charges of disturbing the public order.

The new government has continued the policy of banning almost all further immigration, but it has stopped paying immigrants to leave. And, according to immigrant leaders and human rights activists, it has halted summary expulsions.

"There are few expulsions for disturbing public order now," said Daniel Jacoby, a lawyer for the Human Rights League. Unlike before, a lawyer and a judge — not a government official — have to review each case.

The government has also moved to improve foreign workers' lives.

Foreigners are now allowed to form ethnic associations without the approval of the Interior Ministry, and their wives and children are allowed to join them in France.

The more liberal attitude runs counter to policies in West Germany and Switzerland, which also have large foreign populations, Mr. Porta said. In West Germany, he said, immigrants must contend with a host of restraints that prevent families from being united and workers from moving freely about the country. Foreign workers continue to complain about arbitrary treatment by West German authorities that often leads to summary expulsions, he said.

Moral Imperatives

Despite the moral imperatives that the Mitterrand government says determined its actions, practical reasons are emphasized as well. "Paying immigrants just didn't work," Mr. Weil said. "Not many left, and those who did just returned clandestinely."

Keeping foreign workers in

France and treating them better has also helped improve France's relations with many of its former colonies, especially Algeria. There are more than 800,000 Algerians in France, according to Interior Ministry statistics, and one of the major sore points between the two countries has been France's past threats to deport large numbers of them.

Domestically, though, kindness to foreign workers is not a popular cause. Polls show that many French people blame immigrants for increasing unemployment. And immigrants are also often blamed for crime, drug trafficking and vandalism.

Not only have opposition figures such as Mr. Stoleru criticized the new government's liberal immigration policies, but during the election campaign last year, the Socialists and Communists differed sharply on the issue.

Although there has been no open split on the issue since the two parties formed a ruling coalition, the Communists complained

Papandreou Shuffles His 9-Month-Old Cabinet

The Associated Press

ATHENS — Premier Andreas Papandreou has shuffled his nine-month-old Socialist government and introduced a new National Economy Ministry to combat Greece's pressing economic problems.

On Saturday, Mr. Papandreou dropped eight Cabinet members and appointed six full ministers and 13 deputy ministers to increase the government to a record 50 members.

Gerasimos Arsenis, governor of the Bank of Greece, will head the National Economy Ministry, which replaced the Economic Co-

ordination Department. Three other bankers also joined the new Cabinet.

"Our various economic problems demand further and stronger handling," Mr. Papandreou said Friday. "These will constitute one of the new government's first priorities," he said.

Soaring food and utilities prices, declining value in the drachma and an annual 25-percent inflation rate are causing vocal criticism among Greeks of all political persuasions, marking the end of the Socialist government's honeymoon.

Mr. Papandreou, the only government member with Cabinet ex-

perience before the Socialists were swept to power in last fall's general election, will continue to hold the defense portfolio. No changes were announced for the Foreign Ministry.

But a former deputy foreign minister, Asimakis Fotilas, who was dismissed last December after a misunderstanding at a Common Market meeting, returned to the government as a deputy minister handling affairs of Greek migrant communities abroad.

Deputy Education Minister George Liadis was promoted to head the new Research and Technology Ministry, and Education

Minister Eleftherios Vervakis took over the new Social Insurance Ministry. The two departments were formed under a law enacted Friday that is aimed at promoting high technology and improving welfare policies.

The new ministers will be sworn in Monday.

Political commentators said the new system will give Mr. Papandreou a firmer grasp on decision-making. But the Cabinet changes suggested that Greece's first Socialist premier will continue a trend in recent months toward moderation of his previous policies.

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After Period of Gains, Japanese Communists Confront Doubts at 60

By Henry Scott Stokes
New York Times Service

TOKYO — Japan's Communist Party, the nation's oldest political organization, is marking its 60th anniversary this month amid expressions of doubt about its future.

"We hope to hold fast to the tradition of our 60-year history," its leader, Kenji Miyamoto, said last week at a meeting with foreign reporters. But he added that "the situation in Japan is complicated."

that the number of Japanese voting Communist had increased from 1.16 million in 1960, or about 3 percent of the electorate, to 5.8 million, or 10 percent, by 1980. He said the Communists were convinced that the Socialist-Communist alliance was "doomed to failure" and that "progressive unity" — a Socialist-Communist alliance — would be possible.

Anti-Soviet Stance

The opposition groups, however, trail far behind the governing Liberal Democratic Party, which has a comfortable 21-seat majority in parliament, with a total of 287 members in the 511-seat lower house of parliament dropped from 41 to 29.

Socialist-Communist Alliance

In the 1970s, a period when the party was making gains under the leadership of Mr. Miyamoto, the Communists had hopes of taking power in alliance with the Japan Socialist Party. Today the Socialists, who have 104 seats in the lower house, are pledged to an alliance with the Komeito, a middle-of-the-road Buddhist party with 34 seats.

Looking back over the more than 20 years he has been the party leader, Mr. Miyamoto, 73, acknowledged the organization's achievements — the rise in its membership from 80,000 in 1961 to 470,000, the increase in the leadership of its newspaper, Akahata, from 300,000 to more than three million and the gain in its representation in parliament from a low of 6 seats to a high of 41 before the 1980 elections.

Mr. Miyamoto also pointed out

Newsman Getting U.S. Post

WASHINGTON — The Senate confirmed Thursday the nomination of John Hughes, 52, a Pulitzer Prize-winning journalist, as associate director of the International Communications Agency. The agency is in charge of the Voice of America.



Prince Norodom Sihanouk, left, and Thai Premier Pim Tinsulanonda greeted each other on Sunday after the prince's arrival in Bangkok for discussions with Thai officials.

Thai Leader, Meeting Sihanouk, Vows to Aid Cambodian Coalition

United Press International

BANGKOK — Premier Pim Tinsulanonda promised Prince Norodom Sihanouk on Sunday full Thai support for a new anti-Vietnamese Cambodian coalition government, but a spokesman said arms supplies for the guerrillas were not discussed.

A spokesman for Mr. Pim said the premier pledged "to help the coalition government of democratic Cambodia to return their country to the peace and prosperity it once enjoyed."

The spokesman said the Cambodian prince was scheduled to have an audience with King Bhumibol Adulyadej of Thailand on Monday. Thai officials said the prince would probably cross into a guerrilla-held area of Cambodia on Wednesday. He will then, with his former premier, Son Sann, and the Communist Khmer Rouge leader, Khieu Samphan, set up a coalition government on Cambodian soil, and the leaders will hold their first meeting.

The news agency of the Vietnamese-supported government in Phnom Penh warned, meanwhile, of military action against the coalition. It said in a commentary monitored in Bangkok that the coalition was "playing with fire" by harboring plans for "an increase in armed attacks from Thai territory." It added that Prince Sihanouk had "gone too far."

Afghan Rebel Envisions Soviet Threat to Gulf

By Drew Middleton
New York Times Service

NEW YORK — The Soviet military forces in Afghanistan are turning the country into a forward operational base for possible military moves in Southwest Asia, according to an Afghan rebel leader.

Hassan Gailani of the National Islamic Front, one of the largest of the Afghan resistance movements, cited two examples: a major Soviet air base under construction at Shindand in the west and a border readjustment at the head of the Afghan corridor that leads to the frontier with China.

The air base sits 580 miles from the Strait of Hormuz, which leads into the Gulf. Soviet fighter-bombers based at Shindand will be much closer to the strait than those stationed in the southern part of the Soviet Union.

The Soviet Union, Mr. Gailani added, has built a bridge across the Amu Darya, the river on Afghanistan's northern frontier, and started a railroad from the frontier to the capital of Kabul.

The Soviet high command remains concerned, he said, over the vulnerable communications line into Afghanistan. The major Soviet-Afghan offensive this spring was aimed at liquidating rebel forces attacking truck convoys moving through the Panjshir valley, 62 miles (100 kilometers) west of Kabul.

Strategic Balance

From the standpoint of the strategic balance in Southwest Asia, however, the Kremlin's investment in the Shindand air base is the most important new development.

According to Mr. Gailani, the base is protected by a triple ring of fortifications that include dug-in tanks.

"What the rebels want are artillery missiles with a range of at least 12 miles in order to fire from

the cover of a few small hills east and southwest of the base.

At Shindand, he reported, are Soviet fighter-bombers and helicopter gunships. Western military sources say these aircraft are used primarily for operations against the resistance, but it is conceded that the establishment of the base could have a wider significance.

Frontier Adjustments

The Soviet Union also has lengthened the runway and built additional storage depots at the southern Afghan base at Kandahar. Intelligence reports indicate that this construction, on a lesser scale, and security measures at Shindand indicate that the Kremlin regards it as more important.

Mr. Gailani said the Kremlin annexed territory near the Chinese-Afghan frontier as early as 1981, when President Babrak Karmal visited Moscow. During the visit the Afghan leader reportedly agreed to a border adjustment in the narrow corridor between the Soviet Union and Pakistan that leads to Afghanistan's 60 miles of frontier with China.

The rebel leader said the official Kabul radio had spoken of an annexation of part of this district. He said roads are being built down the corridor toward China and toward Pakistan, and Soviet Tajiks are being moved in to replace the Afghan population.

Soviet helicopter gunships, he said, have been the most effective weapon against the resistance, and the rebels' principal need is for surface-to-air missiles. Mr. Gailani said he knew of only two gunships that had been shot down, and these were threatening through a mountain pass that exposed their unarmored top surfaces.

Otherwise, we have only 303 Lee-Enfield rifles to take on armored helicopters, firing rockets and heavy machine guns," he said.

Hijacker Sits In Jail Cell In Sri Lanka

Signs Now Indicate Extradition to Italy

United Press International

COLOMBO, Sri Lanka — The Sri Lankan hijacker who became a momentary national hero by bluffing his way to \$300,000 in ransom money was put in a maximum security cell Sunday amid strong signs that his government plans to extradite him to Italy.

Sepala Ekanayaka, 33, was ordered held in custody until July 16 pending formal charges. The detention order can be extended.

Police sources said Magistrate Sanath Gunatilake, who conducted the hearing at his home, denied an application for bail for the man who hijacked an Aitavia Boeing 747 Wednesday and held 259 people hostage for 32 hours in Bangkok.

The hijacker's brother, Sathiyabala Ekanayaka, a 38-year-old teacher in southern Sri Lanka, was arrested Saturday night, police sources said. They said he had tried to conceal \$10,000 under his clothes. He went to the same section of the prison as his brother.

The hijacker was given safe passage to Sri Lanka Thursday after getting \$300,000 for the release of his hostages. He then spent two days living lavishly off the ransom money in Colombo, followed by adoring crowds, until his arrest Saturday.

Things started turning sour when the bank refused to deposit \$297,000 of his ransom loot because he lacked identification. Then a hotel kicked him out.

Italian Warrant

The Sri Lankan Foreign Ministry said the Italian ambassador, Franco Miceli de Biasi, called on Foreign Minister Shanil Hameed on Saturday to inform him that a criminal warrant for Mr. Ekanayaka's arrest has been issued in Italy.

"With regard to the question of extradition, the minister of foreign affairs said that once the papers were received the government would take appropriate action," the statement added. Mr. Hameed emphasized that his government is fully conscious of its international obligations.

Although it is probable that the hijacker will be extradited to Italy, a senior police source said that if he remains in Sri Lanka he will be charged with extortion and redeeming stolen property.

The first charge carries a maximum sentence of 10 years in jail and a fine. The second could bring a three-year term.

Nineiri Removes A Vice President From South Sudan

Reuters

KHARTOUM, Sudan — Vice President Abdel Alier, a veteran politician of the semi-autonomous Southern Region, was removed from his post by a presidential decree Friday.

President Gaafar Nineiri named one of Mr. Alier's rivals in southern politics, Joseph Lago, to replace him as one of Sudan's two vice presidents. Political differences between the two southerners had caused tribal troubles that led Gen. Nineiri to dissolve the Southern Region People's Assembly in October and appoint a transitional administration.

Mr. Lago, who was commander of the southern rebels during a protracted civil war that ended in 1972, had proposed that the south should be divided into two or three regions. But some southern leaders thought the proposal might be an attempt by the Moslem north to weaken the predominantly black south. Northern Sudan is already divided into five regions.

Gen. Nineiri also approved Friday a new government for the south, led by James Joseph Tombura. The appointment of 18 members of the High Executive Council and of Mr. Tombura as its president meant that southern Sudan will remain one region.

NEW YORK (AP) — The following quotations, supplied by the Associated Press, are from the New York Times.

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Honduran Officer Says Troops Join Salvadorean in Drive on Guerrillas

By Raymond Bonner
New York Times Service

TEGUCIGALPA, Honduras — The Honduran armed forces have begun a joint military campaign with the Salvadoran Army, with a primary objective of crushing Salvadoran rebels in their mountain strongholds in the eastern Salvadoran province of Morazan, according to a senior Honduran military officer.

But the Hondurans have already gone beyond the mission as originally planned, according to the officer, who agreed to discuss the details of the operation on the condition that he not be identified.

According to the officer, approximately 3,000 Honduran soldiers have occupied a large area of territory that both countries claim is theirs. A peace treaty between the countries stipulates that the territory, about 39 square miles (100 square kilometers) in area, is not to be occupied by military forces from either country.

The Hondurans intend to keep their forces in the disputed territory, the officer said.

In a brief but bloody war between the two countries in 1969, Salvadoran troops invaded Honduras. In the aftermath, the Salvadorans claimed territory that had belonged to Honduras.

Arbitration Specified

So bitter were the feelings between the two countries after the war that it was 12 years before a peace treaty was signed. The treaty called for arbitration to settle the boundary dispute.

The border between the two countries had been set at the Rio Negro in 1884, but an official Salvadoran government map published in 1978 shows as Salvadoran an area extending about 6 miles, or about 10 kilometers, north of that river. It is this territory that the Hondurans now occupy.

Asked if this meant that what had begun as a cooperative venture with the Salvadorans had

turned into an military operation against them, the Honduran officer beamed and said: "We don't forget 1969. We decided it was the opportunity to get what belonged to us."

El Salvador's minister of defense, Gen. José Guillermo García, has denied that the two armies are conducting a joint operation in the area.

Honduran military officers and foreign diplomats here, however, said that the operation along the border at Morazan had been planned in a series of meetings between senior military commanders.

The combined operation, according to the Honduran officer, is a response to increasing tensions along the border, especially near the Salvadoran provinces of Chalatenango and Morazan, where thousands of Salvadoran refugees are living in camps on the Honduran side.

Salvadoran, U.S. and Honduran government officials have charged that many of the refugees are relatives of rebels and channel food, medicine and other supplies from international relief organizations to Salvadoran guerrillas. Officials also say the refugees provide sanctuaries for the guerrillas.

One of the primary missions of the 50 to 60 U.S. military advisers in Honduras is to assist the Hondurans in patrolling the borders, according to U.S. Embassy officials. Some 30 Argentine military advisers fulfill the same function, the Honduran military officer said.

According to the officer, there are no foreign advisers participating in the operation near Morazan.

About two weeks ago, the Hondurans deployed three battalions as a blocking force on the northern edge of the area, while Salvadoran troops, including a battalion, were trained at Fort Bragg, N.C., were reportedly joining the guerrillas toward the border.

The original plan was for the Hondurans to remain on the northern rim of the area, but last

Thursday they crossed into it and reportedly reached the Rio Negro Friday morning.

Honduran Soldiers Arrested

TEGUCIGALPA, Honduras (NYT) — The Honduran Army has arrested a group of soldiers in connection with the reported detention and abuse of an American nurse and the disappearance of a Guatemalan doctor.

The action follows an investigation undertaken after the nurse, Cynthia Lee Morin, of Los Angeles, said she had been detained and beaten by Honduran soldiers on June 9. With her at the time, she said, was Dr. Augusto Giron Tejada, a Guatemalan. Dr. Giron and Miss Morin were working with Guatemalan refugees in Honduras.

Dr. Giron has not been seen since, and Miss Morin has said she thinks the soldiers killed him.

According to a source close to the investigation, six men, including a sergeant, were charged with assault, kidnapping and robbery.

Costa Rican Bombing

SAN JOSE, Costa Rica (Reuters) — A bomb has wrecked the offices of the Honduran ambassador here, police said. Red Cross officials said they had no reports of casualties.

U.S. Seizes Equipment Bought by Cuba Envoy

Reuters

WASHINGTON — U.S. customs authorities have announced the seizure of parts of a television satellite monitoring system purchased by a member of Cuba's UN mission in New York.

The action Friday was the latest in a series of seizures begun last October to enforce a law barring the shipment of high technology equipment with a military application to Soviet-bloc countries.

Dominican President Is Found Shot to Death

United Press International

SANTO DOMINGO, Dominican Republic — President Antonio Guzmán died of a gunshot wound to the head in his office at the presidential palace late Saturday night, the government announced Sunday.

Government officials gave no other details and would not say whether the president's death was suicide, murder or an accident. They said only that it occurred under "tragic circumstances."

Vice President Jacobo Majluta was sworn in as president early Sunday, and the government called a news conference assuring that President-elect Salvador Jorge Blanco would take office as planned on Aug. 16.

"The situation is one of total calm throughout the republic and there is no reason whatsoever for panic," the government announced in radio broadcasts.

A spokesman for the presidential palace said Mr. Guzmán, 71, died just before midnight from a 38-caliber bullet that entered the right cheek. Mr. Guzmán was

found in a bathroom in his office suite, the spokesman said.

He was taken to a military hospital, where he was pronounced dead, the government said.

After being sworn in, Mr. Majluta said: "As commander of the armed forces and the national police, I guarantee the transfer of office to the new authorities elected in last May's elections."

Mr. Guzmán became the first leader of the Dominican Republic to voluntarily give up power when he announced he would not run in the May elections.

Monsignor Annibale Bugnini Is Dead At 70; Was the Vatican Nuncio in Iran

United Press International

VATICAN CITY — Monsignor Annibale Bugnini, 70, the Vatican's apostolic nuncio in Iran, died Saturday in Rome. The cause of death was not immediately known. The Italian prelate had been hospitalized for several weeks.

Mr. Bugnini came into the public eye during the American hostage crisis in Iran when he tried unsuccessfully to mediate for their release on behalf of Pope John Paul II.

Born in 1912 in central Italy, he was best known within the church for his work on liturgical reform during the Second Vatican Council.

Chaim Grade
NEW YORK (NYT) — Chaim Grade, 72, a Yiddish poet and novelist whose work gained wide attention because of its passion in dealing with Jewish life in Eastern Europe and with the trauma of the Nazi extermination of the Jews, died of a heart attack Saturday.

Mr. Grade received an Ortho-



Antonio Guzmán

Foreign Minister Nase Is Replaced in Albania

The Associated Press

VIENNA — Albania's longtime minister of foreign affairs, Nesi Nase, has been replaced by Reis Malile, the Albanian Embassy here confirmed Saturday.

The change in the Foreign Ministry was decided at a People's Assembly session that ended in Tirana on Thursday. The embassy said Mr. Nase had retired. It was the first change in the Albanian government since Adil Carcani took office in January after the reported suicide of Premier Mehmet Shehu.

William L. Worden

TACOMA, Wash. (AP) — William L. Worden, 72, author and World War II correspondent for The Associated Press and the Saturday Evening Post, died Thursday.

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The change in the Foreign Ministry was decided at a People's Assembly session that ended in Tirana on Thursday. The embassy said Mr. Nase had retired. It was the first change in the Albanian government since Adil Carcani took office in January after the reported suicide of Premier Mehmet Shehu.

Chaim Grade

NEW YORK (NYT) — Chaim Grade, 72, a Yiddish poet and novelist whose work gained wide attention because of its passion in dealing with Jewish life in Eastern Europe and with the trauma of the Nazi extermination of the Jews, died of a heart attack Saturday.

Mr. Grade received an Ortho-

Monsignor Annibale Bugnini Is Dead At 70; Was the Vatican Nuncio in Iran

United Press International

VATICAN CITY — Monsignor Annibale Bugnini, 70, the Vatican's apostolic nuncio in Iran, died Saturday in Rome. The cause of death was not immediately known. The Italian prelate had been hospitalized for several weeks.

Mr. Bugnini came into the public eye during the American hostage crisis in Iran when he tried unsuccessfully to mediate for their release on behalf of Pope John Paul II.

Born in 1912 in central Italy, he was best known within the church for his work on liturgical reform during the Second Vatican Council.

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NEW YORK (NYT) — Chaim Grade, 72, a Yiddish poet and novelist whose work gained wide attention because of its passion in dealing with Jewish life in Eastern Europe and with the trauma of the Nazi extermination of the Jews, died of a heart attack Saturday.

Mr. Grade received an Ortho-

From the 5 of July to the 27 of August everyday Monday through Friday, The News in English will be presented at 10 o'clock on radio station RMC.

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SENIOR EXECUTIVE POSITIONS

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
ASSOCIATE MANAGER Int'l Finance	Competitive	General Foods Corp.		Min. 3 yrs. exp. int'l finance; exp. with cash mgmt. & exposure mgmt. as well as Mktg. Exp. Spain.	Employment Manager, W-11, General Foods Corp., 250 North St., White Plains, N.Y. 10625.	Wall Street Journal 22-4-82
INTERNATIONAL SALES MANAGER	c. U.S.\$80,000 package + stock option	Company (wire/tele processing)	West London for Europe, M.East & E.	Strong Mktg. in word-processor sales & in all sales negotiating with w. mgmt.; 35-45; Eng. +; "Start-Stop" individual.	SEE 0457/01, James Bond, P.A. Sales Selection Ltd., 88a Kensington, London SW7A 7LE. Tel: 01-2350505.	L.I.T. 24-4-82
INTERNATIONAL SALES DIRECTOR		U.S. manufacturer of medical/surgical devices.	U.S. or Europe	Bachelor's deg. with 7 yrs. exp. medical/surgical field incl. 5 yrs. exp. in worldwide sales & sales mgmt.; Eng. +.	Box 1912, International Medical Devices, 35221 Housley Court, France.	L.I.T. 24-4-82
SALES DIRECTOR Europe, Mid-East & N. Africa	\$60,000	Major Int'l corp. (heavy vehicle sector or automotive ind.).		Direct knowl. of heavy vehicle marketplace & extensive sales mgmt. exp.; Eng. +.	David Williams, Tessa Int'l 17/10 080 0800	L.I.T. 24-4-82
REGIONAL MARKETING MANAGER		Int'l pharmaceuticals.	Switz. for Latin America	Several yrs. exp. mgmt. in mktg. of ethical pharma.; Eng. Span. +; M.E. & W. Afr. +; 38-40; travel; stress tol. in sales/mktg.	John Ferra, S.A., P.O. Box 253, 1000 Luxembourg-Poly. Tel: (021) 234337.	L.I.T. 24-4-82
GEOLOGISTS/GEOPHYSICISTS	Up to \$27,000	Tel Department of Energy's Petroleum Engineering Division.	U.S.	Min. 10 yrs. exp. in oil industry, incl. previous supervisory exp.	Chris Service Commission, Alameda Lab, Washington, D.C. 20545. Tel: (202) 685550.	L.I.T. 24-4-82
SENIOR DEALER Money Markets	Negotiable	Int'l bank.	Kuwait	Mid 20's to early 30's; min. 5 yrs. dealing exp. prev. gained within London based Int'l bank.	Ray Webb, Jonathan Wynn & Co., 170 Whitechapel, London E2 2LN. Tel: 01-753 1268.	Financial Times 24-4-82
Int'l Pharmaceutical Div't Manager	Commensurate with legal & work exp.	Pfizer.	Russia, Brussels, U.S. or N.Y.	Bachelor's deg. & prof. advancement deg. or relevant exp. with min. 3-5 yrs. in ethical pharma. product mgmt. position.	Mr. John R. Taylor, Pfizer Int'l, 235 East 42nd St., New York, N.Y. 10017.	Economist 26-4-82
SENIOR GEOLOGISTS (3)		Min. Shell National Oil Co.		B.Sc. in geology with min. 8 yrs. exp. geology & exp. interpretation; prof. MSc. deg.; Eng. Arabic.	Personal Directories, Min. Shell National Oil Co., P.O. Box 830, Abu Dhabi, U.A.E.	L.I.T. 26-4-82
SENIOR GEOPHYSICISTS (3)		Min. Shell National Oil Co.		B.Sc. in geology or geophysics with min. 8 yrs. exp. in geophysical activities in the oil field.	Personal Directories, Min. Shell National Oil Co., P.O. Box 830, Abu Dhabi, U.A.E.	L.I.T. 26-4-82
Consultants for Underminers-strategic		SCS (Int'l Strategic-geological).	Disseminated	Ca. 30. Faculty Exam + Promotion under MRA, exp. English, analytical & creative. Publications.	The British Consulting Group, 30, Whitehall, London SW1A 2BQ. Tel: 01-235 1268.	Fr. M. Zeitung 26-4-82
SENIOR SYSTEMS ANALYST	Attractive	Saudi Iron & Steel Co.		Min. 7 yrs. data processing exp. in programming (COBOL & FORTRAN), using data base mgmt. sys. & in sys. analysis & design.	Karl-Stahl AG, Pers. Dept., Metallstrasse 15, D-7570 Baden-Soden.	Frankfurter All. Zeit. 26-4-82
REAL ESTATE CO-ORDINATOR	Excellent	Prestigious housing development company in Madrid, Spain.	Madrid, Spain.	Exp. in real estate mktg. & capable of co-ordinating sales & promotional affairs; Eng. +; Bst. & Span.	Madresole Pavia, Paris Int'l, 562.56.08, 9:30 a.m.-5 p.m.	L.I.T. 26-4-82

مركز الأخبار

U.S. May Offer Subsidy To Michigan Company To Beat Canadian Bid

By Jane Seaberry
Washington Post Service

WASHINGTON — The Reagan administration, in what would be a complete reversal of longstanding trade policy, is considering providing a \$250-million subsidy to help a company in Michigan wrest a major New York City subway car contract from a Canadian corporation.

The administration has angrily criticized the Canadians for agreeing to provide low-interest, subsidized loans to New York City to help finance the purchase of 825 subway cars from Bombardier of Quebec, complaining that the interest rate is well below the minimum level formally set by the major industrial nations.

But the administration, under pressure from Congress and organized labor to help protect American jobs from unfair foreign competition, is seriously considering matching the Canadian subsidy, a Treasury Department official said Friday.

The official, who asked not to be identified, conceded that the costs of matching the Canadian offer might exceed the benefits to the government but said a matter of principle is involved.

"If you want to show the predatory character of the world it's not going to pay to come into our market and dump," the Treasury official said. "It's a matter of principle, not necessarily cost-benefit."

"It's not something we're tremendously happy about," said Donald E. McKieffer, general counsel for the office of the U.S. trade representative. "We're in a box on this one."

Government trade officials claimed the action would not be a change of administration policy.

The New York City Transit Authority tentatively awarded a \$663-million contract to Bombardier over bids by Budd Co. of Troy, Mich., a subsidiary of West Germany's Thyssen, and by France's Francorail.

The Canadian company's bid allowed the transit authority to borrow 85 percent of the cost of the cars at 9.7-percent interest, which is below the 11.4-percent rate agreed upon as a minimum by the major industrialized nations.

However, the Canadians said they only made that bid to compete with Francorail, which made a similar offer.

The Treasury official said the entire Michigan congressional delegation is pressing Treasury Secretary Donald T. Regan to match the subsidy. Mr. Regan must make a decision by July 15.

But administration officials fear that if they help one firm, others will line up to ask the government for subsidies, sources said. "If you do that once, doesn't everyone line up to raise the public bill?" one source said.

Reports of the administration's possible shift on the subway issue drew mixed responses.

"I think they may be bluffing," said Lawrence Kravitz, senior fellow in economics at the Brookings Institution. "With the government's tight budget, it's silly to make an issue of this," he said, arguing that the money could be better used for other purposes.

But C. Fred Bergsten, an assistant Treasury secretary under President Carter, disagreed. "I have always felt one has to fight fire with fire in this business. Though it's not a wonderful thing to do, I think it's the best course."

The administration has already protested Canada's action under the General Agreement on Tariffs and Trade as an unfair trading practice, but a resolution of the complaint will take many months, officials said.

Higher Price Is Sought for African Oil

ABU DHABI — Saudi Arabia and other Gulf states plan to press OPEC's African members to raise their crude prices at least \$1.50 a barrel, the Middle East Economic Survey said Sunday.

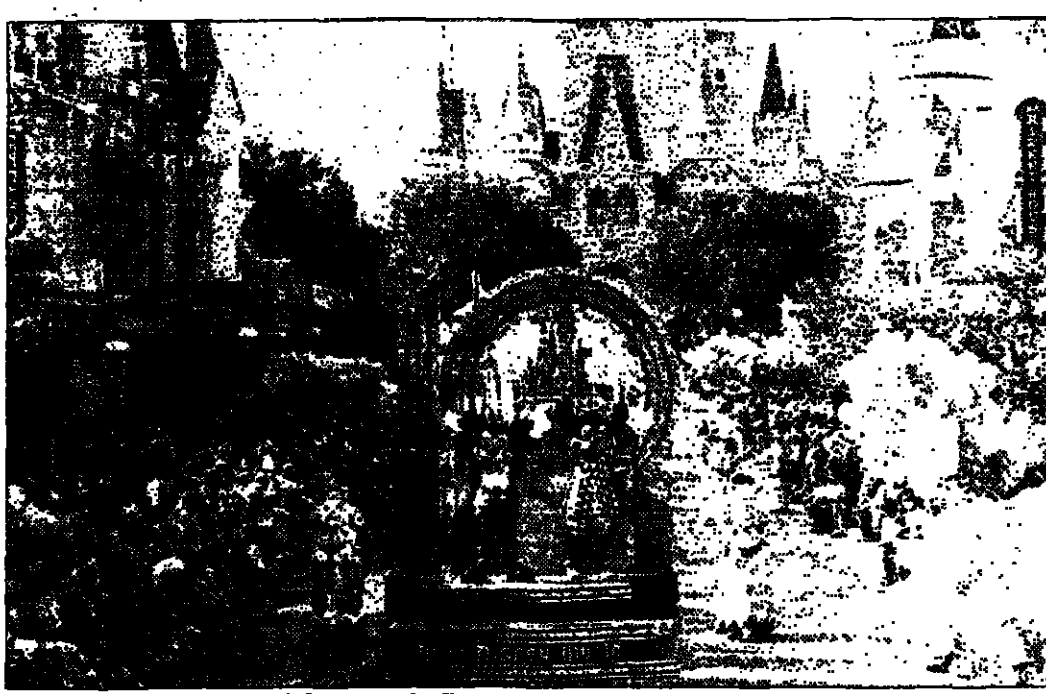
The newsletter said current prices do not impose enough of a premium to take account of differences in quality and transport costs. Thus, the survey said, exports from Libya, Nigeria and Algeria have risen, while Gulf sales are stagnant.

The issue is expected to be taken up in OPEC meetings next week. A senior oil official of the United Arab Emirates said Sunday that the cartel will hold an emergency ministerial meeting in Vienna Friday to review its oil output ceiling of 17.5 million barrels a day.

OPEC has not confirmed reports that such a meeting will be held, but the official said the ministers would meet two days after a Vienna meeting Wednesday of OPEC's four-man market monitoring committee.

The ceiling was imposed in March to prevent an oversupply of crude from causing a drop in prices.

A UAE Oil Ministry spokesman, quoted by the official press agency, indicated that the country might be inclined to support a slight rise in output. The Nicosia-based MEES, which has close connections with Saudi Arabia, estimated that the OPEC production ceiling had risen to 18.5 million barrels a day and said OPEC could not raise output further, given present market conditions.



Disney World soon will be joined in Florida by twin Disney theme parks costing \$1 billion.

Disney Studios Overhaul Tradition 4 Major Projects, Production Shakeup Arouse Interest

By Kathryn Harris
Los Angeles Times Service

ANAHEIM, Calif. — After Walt Disney's death 16 years ago, his successors carried on his unfinished work so doggedly that critics feared Walt Disney Productions' most innovative days were over.

They faithfully built Walt's theme park in Florida, and drove company revenue from \$117 million to over \$1 billion.

But the Burbank, Calif., film studio stagnated, becoming best known in the 1970s for "Love Bug" sequels featuring Herbie, the Volkswagen. Tentative efforts to change the Disney approach drew unhappy results, with film profits in two recent quarters the lowest in 22 years, according to one analyst.

Disney's management hopes to shake the complacent image when four major projects roll out in the next 10 months. They include:

- Epcot Center, a \$1-billion project that will add two new theme parks to Walt Disney World near Orlando, Fla.
- Tokyo Disneyland, a \$450-million Japanese venture that will pay Walt Disney Productions 7.5 percent of its revenue after it opens next spring.
- A shakeup in film production, with the decision to hire outside producers for five coming releases.
- The Disney Channel, a pay-TV service slated to begin in April.

The projects are generating more enthusiasm on Wall Street than Disney has enjoyed in years. "After being very pessimistic for five years, I've gone the other way," said Alan Kassar of First Manhattan. A Paine Webber Mitchell Hutchins analyst, Lee Isgur, said: "I'm very bullish on Disney."

Such optimism has sent the stock price climbing from its year's low of \$43.375 to \$57.875 at the close Friday.

Once the Disney projects are under way next spring, there could be a change in top management. Disney's chairman, E. Cardon Walker, 66, says it is "very possible" he will relinquish the chief executive's job to Ronald W. Miller, 49, the president and a Disney son-in-law.

Mr. Miller's task, if he becomes chief executive, will be to "make it a big company that thinks like a big company," says one entertainment industry consultant, who asked not to be identified.

Critics say that after Walt Disney's death the new leaders tried to continue what he had started but that their perpetuation of his tradition too often ignored a changing world.

"They're in another world out there," said one businessman after a visit to Disney headquarters. "Eisenhower is still president."

For example, until 1979, women were not allowed on the fourth floor of the animation building.

But most Disney employees are genial even in their criticism because, they say, it is such a comfortable place to work. Few workers are fired, and employee benefits abound.

Those comfortable conditions have dulled the studio's creativity, in the view of Don Bluth, a former Disney animator who quit to form his own studio.

Mr. Bluth, who worked under Mr. Disney's direction in the 1950s, and rejoined the staff from 1971 to 1979, says Mr. Disney's death left a creative void.

"Ron Miller has certain instincts and talents, but I don't believe that his passion is animation," Mr. Bluth says.

Mr. Miller got his start in 1957 at the Disney studio, and headed production in films and television before becoming president and chief operating officer in 1980. Subordinates praise him for his willingness to delegate authority.

In any case, after Disney's death, his successors spent \$282 million to build Walt Disney World. To finance it, they made three trips to the debt market. They also made a stock offering.

Disney World proved highly successful, and its success led to the decision in the mid-1970s to proceed with another project Mr. Disney had dreamed up: Epcot, or Experimental Prototype Community of Tomorrow.

As Mr. Disney first sketched Epcot, it would be a model city. A dome would control the climate, and office buildings would be orbited by residences, schools and parks.

But Disney executives abandoned the concept as impractical. Epcot evolved instead into two theme parks: "Future World," to showcase technology, and "World Showcase," which simulates the cultures of nine nations.

One analyst says Epcot could generate \$160 million to \$280 million in revenue its first year, while another says: "If they can't get people... to spend two days in Epcot, it's really going to be a bomb."

To finance Epcot, Disney has won commitments of nearly \$300 million over a 10-year period from such corporate sponsors as American Telephone & Telegraph, General Motors and Sperry.

For the most part, Disney has used its own cash to build Epcot, although it raised \$100 million in a Euro-bond offer last year and is counting on a \$150-million commercial paper issue to complete the first phase of Epcot by Oct. 1, 1983.

OECD Assails U.S. Policies, Sees Rates Remaining High

By Carl Gewirtz
International Herald Tribune

PARIS — The Organization for Economic Cooperation and Development has issued a highly critical report on U.S. economic policies, saying they are likely to keep real interest rates high through the end of next year.

The report, issued over the weekend, indicates that the Reagan administration's monetarist, supply-side approach is likely to keep the dollar high and may provoke other nations to reimpose exchange controls and raise trade barriers, undoing some of the major economic achievements of the postwar period.

Much more toughly worded than usual for an OECD country study, the report reflects basic disagreement over economic ideas. The OECD is a bastion of Keynesian economics, which holds that the best way to manage the economy is through influencing demand — a view that out of fashion in Washington.

In a particularly acid section, the OECD comments:

"There is a common thread to the apparent bias and simplicity in administration pronouncements on tax policy, in the very restricted fields of action which it is willing to contemplate in budget negotiations and the unduly unflattering light this approach seems to throw on the budget situation. It is the desire to... put pressure on expenditure through the budget deficit, hence using tax policy in the effort to reduce the scope and role of government."

"This policy has risks. They can be seen in the perceptions they encourage on bond markets and, more generally, in the dangers of delay and possible breakdown and inaction in the budgetary process."

The cornerstone of the Reagan program is cuts in personal income tax. The OECD argues that "the investment response to tax cuts over a longish period might have been more pronounced if more had been directed towards the corporate sector." In addition, it says, "a more selective approach... could have produced the same incentive effects... with much lower revenue losses."

To fill in the revenue losses, the OECD favors a tax on personal spending, which "would not disrupt work and savings incentives but would confine the benefits to those who did actually work and save more." The OECD also supports proposals, rejected by the administration, for oil import fees or higher gasoline taxes.

Turning to defense spending, the report says "the planned buildup is sufficiently rapid and concentrated that it could well lead to bottlenecks in capacity, materials and labor skills."

The OECD notes "the remarkable and welcome deceleration of prices." But it says the slowing in inflation has been due mostly to the cyclical weakness in commodity prices, and questions whether pressures for higher wages have been permanently reduced.

The OECD forecasts much slower growth than the administration: 0.3 percent from the final quarter of 1981 to the final quarter 1982, compared with the 3 percent predicted by Washington. For calendar 1982, the OECD sees an overall decline in gross national product of 1.4 percent, a bit less than the 1.8-percent drop it was forecasting in late May. It sees GNP growth next year of 2.2 percent, slightly less than the 2.7 percent forecast in May.

The OECD predicts that inflation will ebb to 6.1 percent this year and 5.6 percent in 1983 from 9.2 percent last year.

It forecasts that the federal funds rate — the rate on overnight loans between banks, from which most other rates are scaled up — will average 14 percent this year, falling to 12.3 percent in the fourth quarter. The funds traded at around 15 percent Friday.

The report says long-term interest rates should decline to 13 1/4 percent at the end of 1983 from 15 1/2 percent last Jan. 1, broadly in line with a decline in the underlying rate of inflation. "Hence real interest rates would show little change, reflecting the tightness of monetary growth and liquidity as well as continuing adverse views of budget prospects since it is assumed that the budget package will not be adopted until very late this calendar year."

"By the close of the forecast period, nominal interest rates would be significantly lower than recently but real interest rates still higher than in 1981, presumably paving the way for another period of demand weakness as the mid-1983 fiscal boost eases," the OECD says.

Growth of M-1 Drops To Fed's Target Range

New York Times Service

NEW YORK — The latest figures put money-supply growth within the Federal Reserve's annual target range for the first time this year.

The Fed reported Friday that M-1 fell \$2.2 billion to an average level of \$449.9 billion in the week ended June 23. The decline was steeper than had been expected by most money market participants.

"We're quite encouraged by the behavior of the money supply," said George Israfil, a vice president at Morgan Guaranty Trust. Mr. Israfil estimated that the money supply was \$300 million below the Fed's upper limit.

Economists said that because the growth of M-1 — the basic measure of the money supply, consisting of currency in circulation and check-like deposits in banks and savings institutions — is within the Fed's target range of 2 1/2 percent to 3 1/2 percent, the central bank will not be under pressure to tighten monetary policy further.

This, they said, suggests that interest rates are unlikely to rise soon.

"This has to be a welcome development," said Marc M. Goloven, a vice president at Manufacturers Hanover Trust.

Despite the warm reaction of bankers, the credit markets responded only mildly. Prices of long-term bonds rose slightly following the Fed's report but did not fully recoup their modest losses of

U.S. CREDIT MARKETS

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CURRENCY RATES

Interbank exchange rates for July 2, excluding bank service charges.

	\$	£	DM	FF	Yen	Gld	S.F.	S.P.	D.M.
American	1.00	0.73	1.93	16.63	360.7	0.375	0.48	0.51	0.51
British	1.35	1.00	2.63	22.36	246.3	0.52	0.66	0.69	0.69
French	6.55	4.54	11.48	1.00	33.33	0.057	0.074	0.077	0.077
German	0.52	0.37	1.00	8.48	35.48	0.026	0.034	0.035	0.035
Italian	1,336.00	936.26	2,336.26	166.67	3,600.00	0.736	0.952	0.980	0.980
Japanese	360.70	246.30	600.00	33.33	1.00	0.0027	0.0036	0.0037	0.0037
Netherlands	2.20	1.56	3.36	27.78	360.00	0.0045	0.0058	0.0060	0.0060
Portugal	204.80	146.48	290.88	20.48	720.00	0.0045	0.0058	0.0060	0.0060
Spain	166.67	120.00	240.00	16.67	600.00	0.0045	0.0058	0.0060	0.0060
Sweden	4.66	3.36	6.66	46.67	1,800.00	0.0090	0.0116	0.0120	0.0120
Switzerland	2.00	1.46	2.90	20.00	720.00	0.0045	0.0058	0.0060	0.0060
U.S.	1.00	0.73	1.93	16.63	360.7	0.375	0.48	0.51	0.51
West Germany	0.52	0.37	1.00	8.48	35.48	0.026	0.034	0.035	0.035
Yen	360.70	246.30	600.00	33.33	1.00	0.0027	0.0036	0.0037	0.0037

Issues Launched in Midweek Glow Get a Cool Response

PARIS — The brief pause in new-issue activity on the Eurobond market ended last week with the launching of two straight dollar bonds and four Deutsche mark issues, but investors cold-shouldered the offerings.

The dollar issues were launched amid the glow that investment bankers felt after Tuesday's better-than-expected sale in New York of \$4 billion of four-year Treasury notes. Demand for that issue was 2 1/2 times greater than the supply, triggering an immediate rally in the bond markets and the offering of the new dollar Eurobonds.

However, Thursday's New York sale of \$4 billion of seven-year notes drew a meager response — resulting in a yield of 14.62 percent, the highest since early January — and the midweek enthusiasm evaporated.

Interest rate jitters remain the fundamental problem, and the gloom broke only late Friday in New York when the Federal Reserve reported a larger-than-expected decline in the U.S. money supply — \$2.2 billion in the week ended June 23 — and a \$500-million revision in the week-end figures to a decline of \$2.8 billion. These declines brought the rate of growth to within the Fed's stated targets for the first time this year.

Uncertainty remains

While the Fed report helped lift prices slightly in late New York trading, it is unclear how much of an improvement it will mean for the Eurobond market. Last week's aborted rally, most experts say, was fueled by dealers building up inventory after a month of selling. Investors were conspicuously absent.

Analysts say that institutional investors are not buying, preferring the higher yields on offer in New York. And retail clients, the analysts say, are unwilling to take the plunge either because they fear rates will climb later this year or because the cost of buying dollars is so high.

The first of the dollar Eurobonds to be announced was a \$150-million, 10-year offering for British Columbia Hydro & Power Authority bearing a coupon of 15 1/4 percent and priced at 99 1/4 to yield 15.35 percent. That level was

clearly out of line with what the market deemed acceptable, and the paper was quoted at 97 1/4.

A \$100-million, 10-year bond for France's Caisse Centrale de Cooperation Economique fared equally poorly, though offered at par and bearing a coupon of 15 1/2 percent.

Both issues cannot be called for 10 years, a feature designed to appeal to institutional investors, who currently prefer maturities of five to seven years. But the CCEC issue was also a two-point discount, and the terms nevertheless were striking for an issue guaranteed by the French government. France has always insisted on being seen to borrow at the best terms, and the contrast with BC Hydro is clearly indicative of how far France has fallen from favor.

The slide has largely been hidden, as most French issues have had gimmicks, such as warrants, enabling issuers to come to market with cosmetically low coupons.

CCCE itself is not so perturbed about the coupon, because its own cost of funds is considerably below the posted rate. CCCE is actually borrowing Swiss francs but prefers not to do so publicly, as the Swiss demand a very stiff premium these days to buy French paper. So an unidentified U.S. company, which is able to get better Swiss franc terms (6 1/4 percent for 10 years) than the French but which would fare worse than France in borrowing dollars, is doing a swap with CCCE.

"Attractive Enough"

Neither CCCE nor the issue's lead manager, Salomon Brothers, would state the cost, which is a function of the exchange rate the two borrowers agreed on as well as the Treasury bond futures CCCE

sold to lock in a coupon rate pending the public sale of its paper.

"Let's just say that the terms were attractive enough for both parties to want to do the deal," a spokesman said.

Expected to be launched over the weekend was a \$75-million, seven-year bond for CSR of Australia bearing a coupon of 16 percent.

Given the high degree of uncertainty about interest rates, floating rate paper remains popular. The latest entry is the Bank of Ireland, which is offering \$75 million of 10-year notes. Interest will be set at 14 point over the London interbank offered rate for six-month Eurodollars, but the coupon cannot fall below 9 1/4 percent.

Identical terms were offered by Den Danske Provinsbank of Denmark, which sold \$25 million of eight-year notes, and Italy's electricity utility ENEL, which sold \$100 million of seven-year paper. ENEL's notes can be converted into 10-year bonds bearing a fixed rate of 13 percent.

DM Bonds Moving Slowly

The problem with Deutsche mark bonds, dealers report, is that foreign investors are just not buying DM assets at the moment despite the steep increase in coupons offered. Shortly before the new-issue calendar was frozen in mid-June, Austria sold 10-year bonds bearing a coupon of 8 1/2 percent. By contrast, New Zealand, equally well rated, is offering 100 million DM of five-year bonds bearing a coupon of 9 1/4 percent. The price, expected to be par, will be set July 14.

Emhart Corp. is offering 100 million DM of seven-year paper. The paper bears a coupon of 9 1/4 percent but is expected to be priced at a discount of 99 1/4. These

Eurobond Yields*		
Week Ended June 30		
Int'l inst. lg. term US\$	15.02	%
Int'l long term, US\$	15.35	%
Int'l medium term, US\$	16.20	%
Can\$ medium term	17.50	%
French fr. medium term	16.71	%
Int'l inst. lg. term yen	8.46	%
ECU medium term	13.82	%
EUA long term	12.58	%
Int'l inst. lg. term LF	11.45	%
FL long term	11.48	%

Market Turnover		
Week Ended July 2		
(Millions of U.S. Dollars)		
Codel	5,810.3	5,083.9
Eurod.	8,548.3	7,896.6

bonds were quoted on a when-issued basis of 98.

Especially noteworthy is the 150-million-DM issue for the Inter American Development Bank, a Latin American lending institution that previously has commanded top rates. However, given investors' reluctance to get involved with Latin American debt as Argentina prepares to reschedule its debts and as worries remain about the ability of Mexico and Brazil to escape the same fate, a coupon of 9 1/4 percent is being offered on this seven-year paper. The issue price has been set at par.

Alzo of the Netherlands is offering 100 million DM of seven-year bonds bearing a coupon of 9 1/4 percent and priced at 99 1/4.

Expected this week are a 75-million-DM issue for South Africa's General Postmaster and a 100-million-DM issue for Caisse Nationale des Telecommunications of France. These will be followed by Gillette of the United States and Agip of Italy, and that will complete the holdovers from the mid-June calendar.

The capital market subcommittee, which met Thursday, decided to postpone any decision on establishing a new calendar and is to meet again in mid-July.

In the guildler market, Electricite de France is offering 150 million guilders of 10-year bonds bearing a coupon of 11 1/4 percent.

— CARL GEWIRTZ

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Unit	Security	Stk/Con	Issue Pr.	Ald Pr.	Yield	Am	Security	Stk/Con	Issue Pr.	Ald Pr.	Yield	Am	Security	Stk/Con	Issue Pr.	Ald Pr.	Yield	Am				
100	Tenneco Int'l	s	100	96.34	9.51	112	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	113	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	114	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	115	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	116	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	117	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	118	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	119	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	120	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	121	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
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100	" " " " 1992 Jul	s	100	96.34	9.51	127	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	128	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
100	" " " " 1992 Jul	s	100	96.34	9.51	129	Guadalupe Hydro-Elec.	81/2	7/8	Nov	81	14.15	16.00	18.57	1.25	ITALY	7/34	3/4	95	14.07	17.91	9.21
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					Life
AUSTRALIA					
dm 120	Australia	6 1/2	7/12	8.6	8.56
dm 180	Australia	7 1/4	7/12	8.6	8.56
dm 240	Australia	7 1/4	7/12	8.6	8.56
dm 300	Australia	7 1/4	7/12	8.6	8.56
dm 360	Australia	7 1/4	7/12	8.6	8.56
dm 420	Australia	7 1/4	7/12	8.6	8.56
dm 480	Australia	7 1/4	7/12	8.6	8.56
dm 540	Australia	7 1/4	7/12	8.6	8.56
dm 600	Australia	7 1/4	7/12	8.6	8.56
dm 660	Australia	7 1/4	7/12	8.6	8.56
dm 720	Australia	7 1/4	7/12	8.6	8.56
dm 780	Australia	7 1/4	7/12	8.6	8.56
dm 840	Australia	7 1/4	7/12	8.6	8.56
dm 900	Australia	7 1/4	7/12	8.6	8.56
dm 960	Australia	7 1/4	7/12	8.6	8.56
dm 1020	Australia	7 1/4	7/12	8.6	8.56
dm 1080	Australia	7 1/4	7/12	8.6	8.56
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dm 3480	Australia	7 1/4	7/12	8.6	8.56
dm 3540	Australia	7 1/4	7/12	8.6	8.56
dm 3600	Australia	7 1/4	7/12	8.6	8.56
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Report Shows Banks Growing Much More Cautious in Lending Policies

By Carl Gwartz
International Herald Tribune

PARIS — Bankers have become notably more cautious in both how and to whom they lend, even though they are lending more than ever, new studies show.

A report by the Bank for International Settlements on the maturity distribution of international bank lending shows that most of the new loans recorded in 1981's second half were for one year or less.

While the BIS offers no explanation for this shortening of maturities, it clearly is a sign of bankers' increasing nervousness about the ability of sovereign borrowers to manage their ever-increasing burdens of foreign debt. The bunching of loans into short-term maturities, however, could increase these burdens.

The BIS notes that 53.6 percent of total new loans in the second half were short-term.

For Latin America — the biggest single group of debtors — two-thirds of new debt fell into the short-term category, whereas in mid-1981 some 41 percent of new loans were made for over two years.

As a result, 46.5 percent of total Latin American debt is now short-term, up from 46.3 percent at mid-1981 and 41 percent at mid-1978.

Of the major Latin debtors, Venezuela has the heaviest burden, with 61.4 percent of its \$26.2-billion debt falling due within one year. In Peru, 60.4 percent of a \$4.4-billion debt is short-term. Mexico, the largest debtor, with

\$57-billion outstanding, has a better debt profile, with only 48.6 percent of the total due within one year. Brazil, the second largest debtor, with \$52.7-billion outstanding, has only 34.8 percent due within one year.

Indicative of the weakening credit standing of Latin American nations, the level of undischarged credit commitments they have as a cushion to call on has narrowed.

The ratio of total undischarged credit commitments to total loans outstanding dropped to 14.3 percent at the end of 1981 from 17.4 percent a year earlier and 24.7 percent at mid-1978.

With Poland and Romania seeking to reschedule their debt, it is no surprise that the situation in Eastern Europe was even worse — with 90 percent of the new loans extended in the second-half falling

due within one year. At mid-1981, only 39.4 percent of new loans fell into the short-term category. Undischarged credit commitments contracted to 11.8 percent of total debt from 13.4 percent at midyear and 23.7 percent at the end of 1978.

Some 36 percent of Poland's debt and 35 percent of Romania's fall due within one year.

In Asia, a mere 31 percent of new loans were long-term (over two years). But reflecting the high growth potential of these countries, undischarged credit commitments were little changed and the highest of any group of countries, at 37.2 percent of total debt.

The bulk of the debt of Middle East nations remains short-term, with 78.7 percent due within one year. But the BIS notes that 13.2 percent of the second half loans were long-term, up from 11.8 percent at mid-year. Undischarged credit commitments actually rose, but the ratio to total debt slipped to 22.9 percent from 24.5 percent at midyear.

The smaller developed countries also showed a trend toward shorter maturities, but much less pronounced than for the other groups of countries. And while undischarged credit commitments also

declined, to 27.2 from 30.4 percent at mid-1981, the level was higher than the 24.8 percent reported at mid-1978.

Data published by Morgan Guaranty Trust shows the volume of Eurocurrency bank credits in the first half of this year rose 20 percent from the year-earlier period to \$46.6 billion, a sharp turnaround from the 14-percent drop registered in the first quarter.

But the bulk of the new lending was directed at oil-producing countries, whose borrowings rose 52 percent from a year before, and industrial countries, up 30 percent overall, with Australia and Canada registering huge increases.

New loans to non-OPEC developing countries rose a scant 8 percent, compared with the 79-percent increase in the year-earlier half.

Nissan Says It's Uncertain On Building Autos in U.K.

Reuters
TOKYO — A vice president of Nissan says the company has not yet decided whether to build an auto assembly plant in Britain.

The official, Masataka Okuma, described as speculation a report Saturday in a leading Japanese daily, Asahi Shimbun, that Nissan had virtually given up the plan. "I will shortly visit Britain for talks with the British government on the issue," he said.

Asahi quoted Nissan's president, Takashi Ishihara, as saying Friday that "there is strong opinion within our company that the project is very risky. We cannot push a project for which we cannot obtain company consensus."

Nissan, Japan's second-largest automaker, announced in January, 1981, that it would conduct a feasibility study for a project to produce small passenger vehicles in Britain beginning in 1984. Under the plan, output would rise to 200,000 units a year in 1986.

The newspaper said that a feasibility study had found problems with labor conditions and part costs in Britain.



Sharp Rise in Loan Rates Is Seen

International Herald Tribune
PARIS — The pace of international bank lending, which spurred 20 percent during the first half, is slowing markedly. And as financing needs of the nations using the

SYNDICATED LOANS
Euromarket have not diminished, bankers are confidently predicting that lending charges will rise sharply.

Only the U.S., Japanese and Arab banks remain active in the market. One by one, the others have been forced out by pressures on their balance sheets. The West Germans were the first to go, the Canadians next and the French are the latest.

The rise of the dollar on the foreign-exchange market has added to pressures these banks already were under, as the soaring dollar has increased the value of the loans the banks carry when expressed in local currency. The recent devalua-

tion of the franc made this particularly acute for banks in France.

Margins on syndicated credits — the spread banks take over the base lending rate — have been inching higher for some time. A further increase was masked by borrowers' increasing use of the prime rate of U.S. banks as the base for their loan costs. The prime, an administered rate, is usually higher than the London interbank rate, the traditional base for Euromarket loans, which is set in relation to the actual cost of money.

The only way that the anticipated level of borrowing can be met, analysts say, is to get the major international lenders active again, and that means a substantial increase in the margins on loans.

Against this background, the current operation for Venezuela is widely criticized. Venezuela last month rejected terms proposed by banks for a \$1-billion jumbo loan

calling for a margin of 1½ points over Libor for seven years — a steep increase from what it had earlier paid.

Instead, it has chosen a \$100-million loan, which is being put together as a floating-rate note. It will pay a quarter-point over Libor, the standard margin that floaters bear, coupled with 1½ percent in commissions. If banks thought they could market these notes to investors there might not be so much brouhaha. But as this is not considered likely, the operation is really a disguised syndicated loan, and bankers say the terms are unrealistic.

A much watched operation will be launched this week for the Electricity Commission of Victoria. Australian borrowers have commanded some of the finest terms seen in the market. However, the utility will be seeking a 15-year loan — well beyond the market's current preference for seven-year deals — with a long grace period, 12 years.

Mexico's jumbo \$2.5-billion credit was signed last week with just under \$400 million raised in the market. This left the 27 lead managers holding \$78.9 million each — about 70 percent more than they had hoped to be left holding despite a substantial increase in the margins Mexico agreed to pay.

It is widely assumed that Mexico will have to further lift the margins it pays (1½ points over Libor for seven years) to the level of Brazil (2½ points) in order to raise the large amounts it still needs for this year.

Meanwhile, Yugoslavia is seeking a loan from North American banks to bridge it over until tourist revenue begins coming in. The Yugoslavs are said to want \$300 million, but some bankers say \$150 million is more likely.

The maturity is likely to be a maximum of 18 months and the spread at least 1½ points over Libor.

A joint \$150-million Italian credit for IMI and Isveimer, the institute for economic development of southern Italy, is currently in the market.

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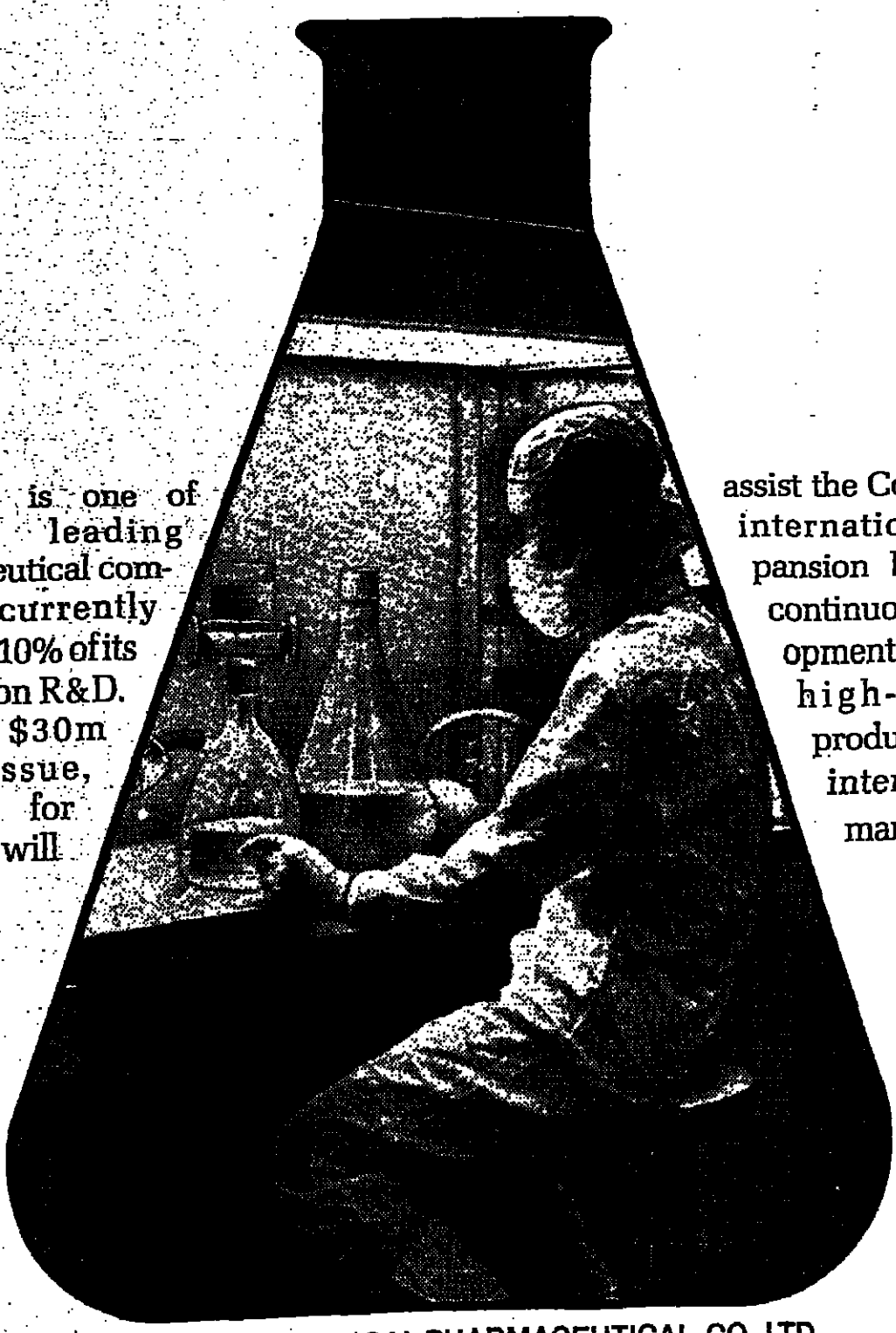
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(Continued on Page 1)

SPORTS

Connors Upsets McEnroe in 5 Sets; Navratilova Wimbledon Titlist

Final Produces Brilliant but Erratic Play

WIMBLEDON, England — Jimmy Connors edged John McEnroe, 3-6, 6-3, 6-7, 7-6, 6-4 in a 4-hour, 15-minute thriller Sunday to regain the Wimbledon title after eight years.

Connors, 29, held the last trump cards in an amazing final, full of brilliant but erratic tennis, which blew up into one of the most dramatic matches in Wimbledon's 105-year history.

In winning the title back after an interval of eight years, Connors was just short of a record. Bill Tilden won it in 1921 and came back to win it again in 1930, nine years later.

The crowd of 14,000, still excited after the cut and thrust of the last few games, gave Connors a standing ovation as he went straight to one end of the court and kissed his wife Patti.

In the final set Connors danced and shuffled with joy as he hit winner after winner. "I was keyed up emotionally," he said. "It was kill or be killed."

But after that kind of tennis, after so long on court, it was killing both of us. It wasn't over until he missed the last shot."

McEnroe is no longer Wimbledon champion, but he does not need to hang his head now when he enters the gates of the prestigious All-England Lawn Tennis and Croquet Club.

McEnroe ultimately paid for too many loose service games. His touch was also not as sharp as usual, with missed volleys and half volleys. And, overhauled sprayed wildly outside the court.

McEnroe later lost his men's doubles title as well. He and compatriot Peter Fleming crashed, 6-3, 6-2, to Australians Peter McNamara and Paul McNamee in a final reduced to best-of-three sets because of the late hour.

The two pairs have dominated the event for the past three years. McEnroe and Fleming won in 1979 and 1981, while the Australian pair took it in 1980.

"We are pleased to win, but it was very difficult for John to play after losing such a hard five-set match first," said McNamara.

McEnroe is no longer Wimbledon champion, but he does not need to hang his head now when he enters the gates of the prestigious All-England Lawn Tennis and Croquet Club.

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behavior after last year's stormy events and kept his dignity.

Connors received a warning for "abuse of an official" after protesting to a linesman over one call.

Connors won because he was able to continually wrest the initiative from McEnroe. He served better throughout, despite the weak period late in the third set, and was more consistent on the big points.

McEnroe ultimately paid for too many loose service games. His touch was also not as sharp as usual, with missed volleys and half volleys. And, overhauled sprayed wildly outside the court.

McEnroe later lost his men's doubles title as well. He and compatriot Peter Fleming crashed, 6-3, 6-2, to Australians Peter McNamara and Paul McNamee in a final reduced to best-of-three sets because of the late hour.

The two pairs have dominated the event for the past three years. McEnroe and Fleming won in 1979 and 1981, while the Australian pair took it in 1980.

"We are pleased to win, but it was very difficult for John to play after losing such a hard five-set match first," said McNamara.

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He is an honorary member at last. The club's committee, headed by Air Chief Marshal Sir Brian Burnett, made him a member after he had lost his title to Connors.

"The management committee is pleased to announce that Mr. J.P. McEnroe..." said a statement in the club's most dignified English style.

So ended a bitter feud that had tarnished McEnroe's crown ever since he topped five-time champion Bjorn Borg a year ago.

Every Wimbledon champion is given honorary membership. It has been the tradition since Arthur Wrenworth Gore won the first All-England championship at Wimbledon in 1877.

Last year McEnroe got into deep trouble with umpires and linesmen and offended the club by arguing over line calls and abusing officials.

He was snubbed when he became champion. The club never gave him membership, and he has smarted over it ever since.

As this Wimbledon approached, and McEnroe was heading back to defend his title, Burnett explained the position.

"I want him to be an honorary member of our club," the Air Chief Marshal said. "But first I want to see him setting an example to the young people who watch the championships, and he does not do that at the moment."

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Jimmy Connors during the final at Wimbledon.

No Doubts Remain About New Champion

By Mike Littwin

Los Angeles Times Service

WIMBLEDON, England — No more is it a case of mind over matter. No longer is there the choking, maddening inconsistency. Martina Navratilova won her third Wimbledon single title Sunday by dumping all the negative thoughts into her opponent's court.

Playing with deserved confidence here over the last two weeks, Navratilova came back from a service break down in the third set to defeat Chris Evert Lloyd, 6-1, 3-6, 6-2.

Defender Buckles

It was Evert, the defending champion, who broke down in the end. It was Evert who seemed to doubt from the beginning that she could win. And it is Navratilova, if anyone doubted it, who is the best woman's tennis player in the world.

Navratilova has won 54 of the 55 matches she has played this year. She has won the last three Grand Slam events and undoubtedly will be the favorite in September's U.S. Open.

"I was imagining the headlines — 'Evert upsets Navratilova'..." said the victor, who finally became a bit concerned after losing her only set of the 1982 Wimbledon. "I wanted to live up to everybody's expectations. I knew I had it in me."

Evert had not been sure of that. "I thought maybe Martina would crack at a certain point," she said. "At the U.S. Open last year, she kind of choked the match (the final, against Tracy Austin). When she's been in a tight situation in the past, Tracy and I have usually come out better than she has. Mentally, that's been her problem."

"But she won the match and she came up with some great shots. I certainly didn't give it to her."

But it looked as if she might after the 22-minute opening set, which Navratilova dominated. At that point, Evert just wanted to make things respectable. "After the way I lost the first set," Evert said, "I really didn't think I could win the match."

"I didn't want to be humiliated. I was surprised how well I played in the second. I just wanted to make it a good match. But after I won the second set, it was a 50-50 proposition."

The odds were slightly better, or should have been, when she broke Navratilova's serve in the third game of the deciding set. But Evert, who controlled the middle set, was tentative serving thereafter. Navratilova won the last five games of the match; she took the day's final game — Evert serving — at love.

Through the third set's third game, Evert's groundstrokes were a match for Navratilova's serve-and-volley tactics. But Navratilova won the mind game.

Snappy Comeback

"I knew I had to break her right back," Navratilova said. "I was trying to pick my spots too much. I was too complacent, sitting back on the baseline until I got my shot. I knew I had to get to the net more. Once I got to the net, I won the majority of the points."

She broke Evert in that fourth game with a backhand volley and rewarded herself with a little applause. And that's all she got from Center Court crowd, firmly behind Evert. But nothing was to bother her Saturday.

She kept backing Evert deep into a corner, making her hit her backhand into her own forehead at the net. Navratilova went after her point after point, throwing in an occasional drop shot.

When Evert dropped her serve in the fourth game, tying the match, she wondered whether it was all over. "After I lost that game," Evert said, "I felt I had my chance. I did have my chance."

But the match wasn't decided until two games later, when Evert, after leading 40-15, again lost her serve. She lost one point on a skidding bounce that she hit into the net and another when she netted an easy forehand. The game was at once, but Navratilova took control with a smash to win the advantage and then passed Evert with a backhand for the game.

Navratilova's beating Evert in the Wimbledon final is becoming something of a tradition; each of her three victories here, including 1978 and 1979, have been against Evert, herself a three-time winner.

But win or lose, Evert is also a tradition here, having made the finals eight of the last 10 Wimbledons. "If I made it to the finals," said Navratilova, "I expected to see Chris on the other side of the net."

Evert knows how to beat Navratilova — hit to her backhand and come to the net. But that isn't Evert's game. "If I was a little more comfortable at the net," she said, "I would have won."

Instead, it again was Navratilova who received the championship's gold plate. In her mind, she was shared that moment with her friend, Nancy Lieberman, and her coach, Renee Richards, who have helped turn Navratilova's game around.

With Lieberman to condition her and Richards to teach her, Navratilova, in less than a year, has come to dominate the game. Remarkably, she has made the finals in her last 19 tournaments, winning 14 of them. She has won on grass, on clay, on cement and indoors. Before Wimbledon, she won the Australian Open and the French.

Navratilova has never won the U.S. Open, but she likes her chances. "I will be the favorite. If I didn't give it away [Saturday], I'm not going to give it away. Someone is going to have to play a hell of a match to beat me."

A victory in September would give her the Grand Slam. "I would truly be one of the greatest players of all time," she said. "And that's what I've always wanted to be."



Martina Navratilova.

"I was imagining the headlines..."

France and Poland Advance to Cup Semifinals

MADRID — France and Poland qualified for the semifinals of the World Cup Sunday.

Alain Giresse and Dominique Rocheteau each scored two goals as France swamped Northern Ireland, 4-1, here to reach the semifinals for the first time since 1958.

In Barcelona, Poland qualified by holding the Soviet Union to a 0-0 draw. The result maintained Poland's unbeaten record in five 1982

cup games and ensured its heading Group A, which also included Belgium. The Russians and Poland both had beaten Belgium, but the Poland needed only the tie to advance on goal difference.

The French played with panache and drive in a game described by Coach Michel Hidalgo as "the most important in 20 years" for French soccer. France topped Group D of the second round with consecutive victories over Austria and Northern Ireland, the latter being the only unseeded team to make the final 12.

France needed only a draw to advance to a semifinal match against West Germany or England Thursday in Seville. But its approach was embarrassing from the start and the Northern Irish were overpowered throughout.

Captain Michel Platini and Jean Tigana were thoroughly inventive in midfield and Giresse and Rocheteau finished with clinical efficiency. The Northern Irish midfielder was busy trying to contain Tigana, Platini, Giresse and Bernard Genghini that he seldom launched attacks of his own.

Once Giresse had given France a 33rd-minute lead from close range, the result was not seriously in doubt.

Rocheteau scored two fine individual goals. The first came in the 47th minute when he glided away from a tackle from David McCreery before firing low past

goalkeeper Pat Jennings at the near post. Twenty minutes later, he shrugged off three challenges before beating Jennings from inside the penalty area.

Gerry Armstrong scored the lone goal for the losers — a team composed largely of veterans and players with lower league English clubs — in the 75th minute.

Giresse scored his second five minutes later, leaping to head home a cross from Tigana.

It was Boniek's hat trick against Belgium last week that secured Poland's qualification. Frustrated at his tight marking, Boniek was booked for a foul on his Soviet shadow, Sergei Baltacha. He had been booked against Italy in the first round of the tournament.

The Russians, playing in the final stages of the cup for the first time in 12 years, knew they needed

to win to advance but played without great drive.

Poland seemed unwilling to attack, apparently satisfied to point for the draw. And, after a first half of patiently built moves, the Russians showed no urgency in the second half, during which they had only one clear chance at goal.

It was the Poles who came closest to scoring in the livelier second half, with Boniek and Stefan Majewski forcing goalkeeper Rinat Dasev to make his only real save of the match and Wlodzimierz Ciolek heading the ball over the crossbar.

The Russians had a lucky escape in the 51st minute, when Sergei Borovsky did not clear cleanly, and the ball flew inches wide of the Soviet goal.

A number of Polish fans at the Nou Camp Stadium match raised banners supporting the trade union Solidarity, but the banners were removed by police during the second half.

Three-time cup winner Brazil will seek its fifth straight victory — and a semifinal berth — against Italy in a Group C Monday match in Barcelona.

French Manager Michel Hidalgo said it was difficult to say whether it would be better for his side to meet England or West Germany. "I think, sentimentally, I might prefer England because I remember that game in Bilbao [when England beat France, 3-1, in the first round]. We would like to show them what we can do now."

"Sunday, we had the will to win. I told the players to go out there and play quality soccer and that I would take the responsibility if they lost."

"Platini proved that he could play brilliantly as an individual but also as a member of the team," Hidalgo said.

England's stand-in skipper, Mick Mills, said Sunday, "I think we have a good chance against Spain because I honestly don't think there is much between us and the Germans and they outclassed them. That is not to say it will be easy."

"To start with, we will have to put the number of goals required out of our minds completely and just concentrate on the game, making sure we don't make any slips."

Added Manager Ron Greenwood: "It's a very strange situation to be in. We are not sure how the Spanish will react." Greenwood will probably start the same team that played a scoreless tie with West Germany.

ton drove home John Castino with none out in the eighth to back Jack O'Connor's six-hitter and give Minnesota a 2-1 squeaker over Toronto. Castino started the eighth with a double off Jim Clancy (7-5). Bob Mitchell singled Castino before Washington's single to left.

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Kenny Clarke

Soccer 10, 'Dallas' 0

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OMEGA
Seamaster 120